

CITY OF HAMILTON, OHIO

Schedule of Expenditures of Federal Awards and
Other Single Audit Reports
Year Ended December 31, 2019



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Members of Council
City of Hamilton
345 High Street
Hamilton, Ohio 45011

We have reviewed the *Independent Auditor's Report* of the City of Hamilton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Hamilton is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 14, 2020

This page intentionally left blank.

TABLE OF CONTENTS

Schedule of Expenditures of Federal Awards 1 – 2

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards* 3 – 4

Report on Compliance for Each Major Federal Program; Report on Internal
Control Over Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance 5 – 7

Schedule of Findings and Questioned Costs 8 – 9

Corrective Action Plan 10

This page intentionally left blank.

CITY OF HAMILTON, OHIO
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Community Development Block Grants/Entitlement Grants Cluster:</i>				
Community Development Block Grants/Entitlement Grants	n/a	14.218	\$ 333,596	\$ 1,028,537
HOME Investment Partnerships Program	n/a	14.239	<u>92,775</u>	<u>293,958</u>
Total U.S. Department of Housing and Urban Development			<u>426,371</u>	<u>1,322,495</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Bulletproof Vest Partnership Program	n/a	16.607		<u>12,275</u>
Edward Byrne Memorial Justice Assistance Grant Program	n/a	16.738	16,521	<u>70,924</u>
Equitable Sharing Program	n/a	16.922		<u>5,490</u>
Total U.S. Department of Justice				<u>88,689</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>(Passed through Ohio Department of Public Safety):</i>				
<i>Highway Safety Cluster:</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants I	OVI-2019-00007	20.601		15,136
Alcohol Impaired Driving Countermeasures Incentive Grants I	OVI-2020-00007	20.601		<u>4,016</u>
				19,152
State and Community Highway Safety (STEP Grant)	IDEP/STEP - 2019 - 00062	20.600		12,407
State and Community Highway Safety (STEP Grant)	IDEP/STEP - 2020 - 00072	20.600		<u>3,516</u>
				<u>15,923</u>
Total Highway Safety Cluster				<u>35,075</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	IDEP/STEP - 2019 - 00062	20.608		16,566
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	IDEP/STEP - 2020 - 00072	20.608		<u>6,127</u>
				<u>22,693</u>
<i>(Passed through Ohio Department of Transportation):</i>				
<i>Highway Planning & Construction Cluster:</i>				
Highway Planning and Construction - US 129	PID93593	20.205		1,556,615
Highway Planning and Construction - BUT Hamilton Bridge Replacement	PID99904	20.205		<u>12,818</u>
Total Highway Planning & Construction Cluster				<u>1,569,433</u>
Total U.S. Department of Transportation				<u>1,627,201</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>(Passed through Butler County Health Department):</i>				
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	00910012PH0514	93.074		15,008
<i>(Passed through Ohio Department of Health)</i>				
Immunization Cooperative Agreements	00920022IM0613	93.268		<u>7,130</u>
Total U.S. Department of Health and Human Services				<u>22,138</u>
Total Passed Through to Subrecipients and Federal Expenditures			<u>\$ 442,892</u>	<u>\$ 3,060,523</u>

CITY OF HAMILTON, OHIO
Schedule of Expenditures of Federal Awards - continued
Year Ended December 31, 2019

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Hamilton, Ohio (the "City") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the costs principles contained in contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - PASSTHROUGH AWARDS

The City of Hamilton, Ohio receives certain federal awards from the State of Ohio as pass-through awards. The amounts received are commingled by the State of Ohio with other funds and cannot be separately identified. The total amount of such pass-through awards is included on the schedule of expenditures of federal awards.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Hamilton, Ohio:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamilton, Ohio ("City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 23, 2020, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* and the unknown impact of the COVID-19 pandemic.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Members of City Council
City of Hamilton, Ohio:

Report on Compliance for Each Major Federal Program

We have audited the City of Hamilton, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's response was not subjected to the audit procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 23, 2020, which contained unmodified opinions on those financials statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial

statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2020

This page intentionally left blank.

**CITY OF HAMILTON, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2019**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	yes
Identification of major programs:	
• CFDA 20.205 – Highway Planning and Construction Cluster	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None noted.

CITY OF HAMILTON, OHIO
Schedule of Findings and Questions Costs (continued)
Year Ended December 31, 2019

Section III – Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF TRANSPORTATION

2019-001 CFDA 20.205—*Highway Planning and Construction Cluster*

Condition and Criteria: In accordance with 29 CFR sections 5.5 and 5.6, contractors and subcontractors are required to submit to the City, weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). During our audit of prevailing wage requirements, we noted two instances in which the required weekly certified payrolls could not be provided.

Cause: Oversight by program management.

Effect: Failing to receive and review certified payrolls could result in contractors and subcontractors being non-compliant with wage requirements of the Federal award.

Recommendation: We recommend the City implement procedures to ensure the City is compliant with the submission of required certified payroll documentation.

Views of Responsible Officials and Planned Corrective Actions: *The City will implement policies and procedures,*



CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
December 31, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The City will implement policies and procedures, including additional employee training, to ensure the completeness of the required weekly certified payrolls received from contractors in relation to the Highway Planning and Construction grant.	12/31/20	David Jones, Finance Director





2019 CAFR

The Comprehensive Annual Financial Report for Hamilton, Ohio - Year Ended 12/31/19



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2019

Prepared by:
Department of Finance

David Jones
Finance Director



TABLE OF CONTENTS

CITY OF HAMILTON
BUTLER COUNTY, OHIO

I INTRODUCTORY SECTION

A Letter of Transmittal v
B List of Principal Officials xii
C City Organizational Chart xiii
D Certificate of Achievement for Excellence in Financial Reporting xiv

II FINANCIAL SECTION

A Independent Auditor’s Report..... 1
B Management’s Discussion and Analysis.....5
C Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Position 18
 Statement of Activities 20
 Fund Financial Statement
 Governmental Funds:
 Balance Sheet 22
 Reconciliation of Total Governmental Fund Balances to Net Position of
 Governmental Activities..... 23
 Statement of Revenues, Expenditures and Changes in Fund Balances 25
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances to the Statement of Activities..... 26
 Statement of Revenues, Expenditures and Changes in Fund Balance
 (Budget and Actual):
 General Fund 29
 Health Department Fund..... 30
 Proprietary Funds:
 Statement of Net Position 32
 Statement of Revenues, Expenses and Changes in Fund Net Position..... 36
 Statement of Cash Flows 38
 Fiduciary Funds:
 Statement of Net Position 42
 Statement of Changes in Net Position 43
Notes to the Basic Financial Statements..... 44

CITY OF HAMILTON, OHIO

D Required Supplementary Information:

Schedule of City’s Proportionate Share of the Net Pension Liability – Cost Sharing Plans	120
Schedule of City Pension Contributions – Cost Sharing Plans	122
Schedule of City’s Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability – Cost Sharing Plans.....	125
Schedule of City’s Other Postemployment Benefit (OPEB) Contributions – Cost Sharing Plans.....	126
Schedule of City’s Other Postemployment Benefit (OPEB) Liability - Single Employer Plan	128
Schedule of Changes in the City’s Total Other Postemployment Benefits (OPEB) Liability – Single Employer Plan.....	129
Notes to the Required Supplementary Information	130

E Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Financial Statements:

Combining Balance Sheet.....	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	137
Combining Balance Sheet – Nonmajor Special Revenue Funds	138
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	143
Combining Balance Sheet – Nonmajor Capital Projects Funds	148
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	150

Individual Schedules of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual):

Major Governmental Funds:

<i>General Fund</i>	152
<i>Special Revenue Fund</i>	
Health Department Fund	155
<i>Debt Service Fund</i>	
Debt Service Fund.....	156

Nonmajor Governmental Funds:

Special Revenue Funds:

One Renaissance Center Fund.....	157
Unclaimed Monies Fund	158
Convention and Visitor’s Bureau Fund.....	159

CITY OF HAMILTON, OHIO

Nonmajor Governmental Funds:

Special Revenue Funds (Continued):

Municipal Court Improvement Fund.....	160
Public Safety / Health Income Tax Fund	161
Dispute Resolution Proceeds Fund.....	162
Safety Services Fund	163
Police Pension Fund	164
Police Levy Fund.....	165
Firemen’s Pension Fund.....	166
Fire EMS Levy Fund.....	167
Stormwater Management Fund	168
Refuse Fund.....	169
Street Maintenance Fund.....	170
Land Reutilization Fund.....	171
Home Program Fund	172
Parking Fund	173
Golf Course Fund	174
Community Development Block Grant Fund.....	175

Capital Projects Funds:

Hamilton Capital Improvement Fund.....	176
Special Assessment Fund	177
Municipal Improvement Tax Increment Equivalent (MITIE) Fund.....	178
Governmental Building Sale Proceeds Fund.....	179
Issue II Projects Fund	180
Infrastructure Program Fund	181

Permanent Fund:

Benninghofen Trust Fund.....	182
------------------------------	-----

Internal Service Funds:

Combining Statement of Net Position	184
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	185
Combining Statement of Cash Flows	186

Fiduciary Funds – Custodial Funds:

Combining Statement of Net Position.....	188
Combining Statement of Changes in Net Position.....	190

III

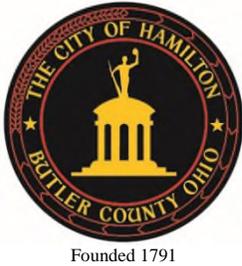
STATISTICAL SECTION

Net Position by Component - Last Ten Years..... S 2
Changes in Net Position - Last Ten Years..... S 5
Fund Balances, Governmental Funds - Last Ten Years S 13
Changes in Fund Balances, Governmental Funds - Last Ten Years S 16
Assessed Valuations and Estimated True Values of Taxable Property - Last Ten Years S 22
Property Tax Levies and Collections - Last Ten Calendar Years S 25
Direct and Overlapping Property Tax Rates - Last Ten Calendar Years S 28
Principal Property Tax Payers - Current Year and Nine Years Ago S 30
Income Tax Collection Receipts by Fund - Last Ten Calendar Years S 31
Principal Income Tax Payers - Current Year and Nine Years Ago S 34
Ratios of Outstanding Debt by Type - Last Ten Years S 35
Ratios of General Bonded Debt Outstanding - Last Ten Years S 38
Computation of Direct and Overlapping Debt Attributable to
Governmental Activities - Current Year S 41
Debt Limitations - Last Ten Years S 42
Pledged Revenue Coverage - Last Ten Years S 45
Demographic and Economic Statistics - Last Ten Years S 48
Principal Employers - Current Year and Nine Years Ago S 51
Full Time Equivalent Employees by Function - Last Ten Years S 52
Operating Indicators by Function - Last Ten Years S 54
Capital Asset Statistics by Function - Last Ten Years S 60

INTRODUCTORY SECTION







CITY OF HAMILTON OHIO

Department of Finance

One Renaissance Center

345 High Street, Hamilton Ohio 45011

phone (513) 785-7150

fax (513) 785-7160

June 23, 2020

To the Honorable Mayor, Vice Mayor, City Council and
All Citizens of the City of Hamilton, Ohio:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) for Hamilton, Ohio. This report, for the year ended December 31, 2019, contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. The responsibility for the accuracy of all data presented and its completeness and fairness of presentation rests with the City of Hamilton's Department of Finance.

This report presents the financial activity of the City in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

The City of Hamilton is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget's Super Circular. Information related to this single audit, including a schedule of federal expenditures, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Hamilton's MD&A can be found immediately following the independent auditors' report.

THE REPORTING ENTITY

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, in that they include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

CITY OF HAMILTON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2019

Based on the foregoing, the Hamilton Community Authority (HCA) has been determined to be a component unit of the City. The HCA is a new community authority (NCA) authorized under Chapter 349 of the Ohio Revised Code. NCA's are to be created "for the purpose of encouraging orderly development of well planned, diversified and economically sound new communities and of encouraging the initiative and participation of private enterprise in such undertakings; and encouraging cooperation between the developer and community authority to carry out a new community development program." The reporting entity includes all funds, agencies, boards and commissions that are part of the primary government, along with component units. The primary government includes the financial activities of the Hamilton Civil Service Commission and the Hamilton Municipal Court.

CITY OVERVIEW

Located thirty miles northwest of Cincinnati, Hamilton encompasses approximately 21.5 square miles and is located within a one-day drive of approximately 65% of the purchasing population in the United States. A network of four interstate highways (71, 74, 75 and 275) and five U.S. and Ohio routes (4, 128, 129, 177 and 127) serve the City.

The City of Hamilton provides a host of traditional municipal services including police and fire protection, health and certain social services, operation of a municipal court, street maintenance and other governmental services. In addition, the City owns and operates four utility systems to serve consumers within the City and certain immediately adjacent environs.

A seven-member Council, elected by voters of the City, governs the City. Council is elected for four-year staggered terms. The Mayor, who is separately elected, is recognized as the official head of the City for all ceremonial purposes and presides at Council meetings. The voters also elect a Municipal Court Judge, who serves a six-year term, to preside over the proceedings of the Hamilton Municipal Court.

City Council appoints the City Manager who is the chief executive officer of the City. The Manager is charged with the proper administration of all affairs of the City. The Manager has the authority to appoint and remove all heads of departments and all subordinate officers and employees of the City and they also exercise control over all departments created by the City Council.

RECENT ECONOMIC DEVELOPMENT-

Since 2013 alone, more than \$620 million has been invested in our community by businesses locating or expanding here, developers renovating our downtown buildings, or through infrastructure upgrades and improvements. In the same time frame, more than 2,500 jobs have been filled. These numbers are a testament to the strength of our local economy, and they show the optimism of local residents and employers. The following includes some highlights of this growth in our community.

In 2019, RiversEdge at Marcum Park earned national recognition from the American Planning Association (APA) as one of America's Five Great Public Spaces in 2018. APA's Great Places in America program recognizes the streets, neighborhoods, and public spaces in the United States demonstrating exceptional character, quality, and planning—attributes that enrich communities, facilitate economic growth, and inspire others around the country. With events such as David Shaw's Big River Get Down, the Hamilton Flea, and the award-winning free summer concert series, this park attracts tens of thousands of visitors to the urban core every year. Additionally, the Marcum Apartments project was announced as a direct result of Marcum Park itself, and these amenities together have drawn a lot of attention from additional investors and developers.

*Letter of Transmittal
For the Year Ended December 31, 2019*

Our Economic Development Department has worked with 13 new retail and restaurant businesses that opened in Hamilton in 2019. All of these businesses enhance the quality of life in Hamilton, making it a better place for people to live, work, and shop. New small businesses that opened in 2019:

- Aveda Salon
- Balloon Gallery & Gifts
- The Blank Space Event Center
- Bones Brothers Wings
- The Casual Pint
- Kensho Traditional Shotokan Karate
- Lounge 24
- Pinball Garage
- Scripted Studio
- Tano's Bistro
- The Benison Event Center
- The Fringe
- The Village Ice Cream Parlor

Salvagnini America, which makes machines to process sheet metal, is headquartered in Hamilton just off of By-pass 4. In fall 2018, it began an \$8.5 million project to construct a 26,000 square foot showroom and office area. The project also includes making improvements to the existing building. Salvagnini currently employs 102 people, and with this project it plans to hire an additional 15 over the next three years.

Now one of Hamilton's largest companies, Thyssenkrupp Bilstein has been a reliable advocate and business partner to the Hamilton community for many years. The company began production at its facility just off of Symmes Road in 1995. With only about 185 employees in 2011, the German-based auto parts manufacturer has grown to approximately 750 employees as of December 2018, and invested a total of \$43.2 million in expanding its facilities. In 2018, Bilstein partnered with LifeSpan and Butler County United Way to employ a life coach for its staff. So far, the life coach has provided assistance to over 40 employees in areas such as mental health, transportation, public benefits, eldercare, housing, childcare, grief counseling, and personal finance. The services are aimed at helping employees stay focused, meet performance expectations, and remain employed. Hamilton has many wonderful employers, and as one of them, Bilstein has consistently demonstrated its commitment to our city and this region as a whole.

The Hamilton Community Foundation launched its Talent Attraction Program (TAP) Scholarship in early 2018. This program acts like a reverse scholarship, incentivizing any college graduates with a degree in a STEAM (science, technology, engineering, arts, or math) field to move to downtown Hamilton and work in Butler county in exchange for student loan repayment assistance. Those who receive the scholarship earn \$200 per month (up to \$5,000 total over two years). This is just one of a variety of efforts taken in the Hamilton community to address the statewide issues of worker shortages, low educational attainment, and a shrinking and aging population.

*Letter of Transmittal
For the Year Ended December 31, 2019*

FUTURE ECONOMIC DEVELOPMENT PROJECTS

The City is involved with many economic development projects that continue to make Hamilton a purposeful destination to work, live, and play. Spooky Nook at Champion Mill officially broke ground in 2018 and continues construction. Main Street continues its strong momentum in 2019 with recent investments on Main Street totaling more than \$7.1 million. Additionally, the City continues its 17Strong neighborhood efforts.

For the past several years, the City of Hamilton has been working closely with Spooky Nook Sports to plan and build an indoor sports and event center at the former Champion Paper Mill site on the west side of the Great Miami River. On October 25, 2018, this project officially broke ground, kicking off a two-year, \$144 million redevelopment project that is expected to bring massive economic benefits to the entire Greater Cincinnati region. Once completed, Spooky Nook Sports Champion Mill will be the second largest convention center space in the Tri-State area and the largest indoor sports complex in North America. In addition to the youth sports and event center, Spooky Nook Champion Mill will include two hotels, restaurants, a fitness center, sports medicine facility, health foods market, and more.

The historic Main Street Business District had a major facelift in 2018. The Streetscape and Infrastructure project began in early 2018 and included undergrounding electric utility lines as well as replacing all of the streetlights in the district with new decorative lamp posts that have improved pedestrian-level lighting and overall aesthetics. As part of the beautification, the sidewalks have new brick pavers, trees, and other decorative landscaping. The goal for Main Street is to increase foot traffic, especially after 5 pm and on the weekends, by adding restaurants, shops, and housing units to reinvigorate the district. In an effort to incentivize new housing units, the City has continued the Upper Floor Residential Rehabilitation Program. This program provides a matching grant up to \$20,000 per unit for property owners to redevelop the residential units above Main Street retail spaces.

Finally, the century old water main was replaced throughout the corridor. The Streetscape and infrastructure project totaled more than \$3.7 million. Just west of the historic business district, the Main-Millville-Eaton Intersection Improvement project is underway. This project will realign the Eaton and Millville Avenue approaches to the Main Street intersection so that they are directly across from each other. Once completed, it will significantly improve traffic operations and safety at the intersection.

A \$1.8 million renovation that began on the Davis building (302 Main Street) in early 2017 was completed in 2019. This building, originally constructed in 1914, was acquired by CORE in 2015 and has been largely empty for years. The building currently houses three commercial tenants: Two Little Buds, The Village Ice Cream Parlor, and Hughes Pharmacy. A fourth commercial tenant, Scripted Studio, is opening in April. In addition to the first floor commercial spaces, 12 second and third floor residential units are being renovated and should be available for lease by the summer.

***Letter of Transmittal
For the Year Ended December 31, 2019***

The 17Strong Neighborhoods Initiative was awarded a \$25,000 Love Your Block grant from the Cities of Service and AmeriCorps VISTA programs in 2018. This grant brought two VISTA workers to Hamilton to help reduce neighborhood blight over a two-year period. Brooke Wells, a Hamilton native, and Tyler Cook, a native of the Dayton area, have been with the City since summer 2018. In 2019, their work will focus on the East End and Armondale neighborhoods.

In 2019, the City will launch the Neighborhood Enhancement Program in the Prospect Hill neighborhood. This initiative allows city departments to focus resources on an area for a period of approximately 120 days. During this program, the City will devote staff time and funds to code enforcement, street sign replacement, hydrant painting, and more in an effort to engage with residents and raise the overall quality of life in the neighborhood. A similar initiative was performed in the German Village area in 2015, and the neighborhood is still realizing the positive effects of this program.

INTERNAL ACCOUNTING AND BUDGETARY CONTROLS

The City's budgetary accounting system was designed to provide reasonable, but not absolute, assurances that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated using the following criteria:

1. The expenditure associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the members of the Finance Department.

It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

CITY OF HAMILTON, OHIO

Letter of Transmittal For the Year Ended December 31, 2019

Budgetary control is maintained by an encumbrance of purchase commitment amounts prior to the release of purchase orders to vendors. The City Manager and the appropriate Department Director submit requisitions for the expenditure of monies to the Director of Finance for certification of funds and preparation of a purchase order after approval. The purchase order is reviewed for the availability of funds and the estimated expenditure is encumbered against the available appropriation. Encumbrances, which would exceed the available appropriation, are not approved or recorded until City Council authorizes additional appropriations. Unencumbered appropriations lapse at the end of each year.

The Government Finance Officers Association (GFOA) recommends local governments establish a rainy day fund equal to at least two months operating reserve or 16.7% of annual expenditures. In 2012, City Council enacted Budget and Financial Policies Resolution #R2012-6-25, which requires the maintenance of a minimum General Fund Balance (reserve) of 10-16% of annual expenditures. Per this resolution, if the General Fund reserve rises above 16% of General Fund revenues at the fiscal year-end, the amount over 16% will be swept into an Economic Budget Stabilization Fund, which can be expended only through special action by City Council.

In 2019, the City was successful in holding the General Fund expenditures to 2018 levels. After factoring in reimbursements from Hamilton City Schools for School Resource Officers, salary and benefits increased 1.86%. While, non-salary and benefit expenditures decreased 5.66% and income tax receipts were up 7.4% (all funds) over 2018. The City transferred \$295,415 into the Economic Budget Stabilization fund in January 2020, due to the City's improving fiscal condition that was created by controlling expenditures and increased revenues through ongoing economic development. After that transfer, the balance in the City's Economic Budget Stabilization fund was \$2,000,000.

INDEPENDENT AUDIT

Included in this report is the unmodified audit opinion rendered on the City's financial statements for the year ended December 31, 2019, by Clark, Schaefer, Hackett & Co. City management plans to continue to subject the financial statements to an annual independent audit as part of the preparation of a Comprehensive Annual Financial Report. This annual independent audit serves to maintain and strengthen the City's accounting and budgetary controls.

CERTIFICATE OF ACHIEVEMENT

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 Hamilton for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

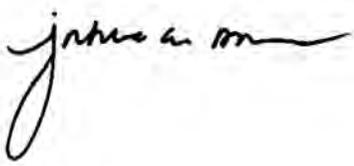
CITY OF HAMILTON, OHIO

*Letter of Transmittal
For the Year Ended December 31, 2019*

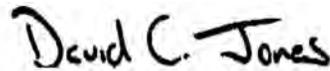
ACKNOWLEDGEMENTS

The City of Hamilton is proud to be submitting this Comprehensive Annual Financial Report, which is the result of the continued cooperation and combined efforts of the City's Finance Department staff. Special thanks to Assistant Finance Director Matthew McKinney and his staff for their outstanding work which created this document.

The support of the Hamilton City Council was essential in the successful preparation and issuance of this report.



Joshua A. Smith
City Manager



David C. Jones, CPA
Director of Finance

CITY OF HAMILTON, OHIO

***List of Principal Officials
For the Year Ended December 31, 2019***

***ELECTED
OFFICIALS***

Pat Moeller
Eric Pohlman
Robert Brown
Carla Fiehrer
Michael Ryan
Susan Vaughn
Timothy Naab
Daniel J. Gattermeyer, Judge

OFFICE

Mayor
Vice Mayor
Council Member
Council Member
Council Member
Council Member
Council Member
Municipal Court

***ADMINISTRATIVE
PERSONNEL***

Joshua A. Smith
Timothy Werdmann
Thomas Vanderhorst
James Logan
J. Scott Scrimizzi
David Jones, CPA
Letitia Block
Brandon Saurber
Jeanne Pope
Craig Bucheit
Mark Mercer
Jody Gunderson
Adam Helms
Kenneth Rivera
Kay Farrar
Elizabeth Hayden
Dan Moats
Richard Engle, P.E.
Jim Williams
Nick Garuckas

TITLE

City Manager
Executive Director of Internal Services
Executive Director of External Services
Executive Director of Infrastructure Services
Executive Director of Public Safety
Director of Finance
Director of Law
Director of Strategy & Information
Director of Civil Service and Personnel
Police Chief
Fire Chief
Director of Economic Development
Director of Resident Services
Director of Building
Director of Health
Director of Planning
Director of Utility Operations
Director of Engineering
Director of Public Works
City Clerk

CITY OF HAMILTON, OHIO

City Organizational Chart
For the Year Ended December 31, 2019





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hamilton
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamilton, Ohio (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamilton, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and Health Department Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to the financial statements, during the year ended December 31, 2019, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the City of Hamilton, Ohio. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, 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.

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 combining and individual nonmajor fund financial statements and schedules, introductory and statistical sections 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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 June 23, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2020



This discussion and analysis of the City of Hamilton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key (***GAAP Basis***) financial highlights for 2019 are as follows:

- ❑ In total, net position increased \$28,713,935. Net position of governmental activities increased \$31,357,476, from a beginning of year balance of \$2,100,730. Net position of business-type activities decreased \$2,643,541, or 1%.
- ❑ General revenues accounted for \$44,109,550 in revenue or 22% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$160,347,886, or 78%, of total revenues of \$204,457,436.
- ❑ The City had \$39,923,912 in expenses related to governmental activities; \$28,596,048 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$42,685,340 were adequate to provide for these programs.
- ❑ The general fund had \$38,713,051 in revenues and \$36,123,976 in expenditures. The general fund's fund balance increased from \$16,470,149 to \$17,041,141.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining and individual statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Required supplemental information is also presented, which provides additional data regarding the net pension and OPEB liabilities.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net-position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, basic utility services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's gas, electric, water and wastewater services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

CITY OF HAMILTON, OHIO

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

Unaudited

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its gas, electric, water and wastewater operations. All enterprise funds are reported as major funds in the proprietary funds Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet management services and costs of certain goods or services provided to other departments or agencies of the City.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Net Position and Statement of Changes in Net Position. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

This space intentionally left blank.

CITY OF HAMILTON, OHIO

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

Unaudited

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial health. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$267,134,084 (\$33,458,206 in governmental activities and \$233,675,878 in business type activities) as of December 31, 2019. By far, the largest portion of the City's net position (\$266,558,963) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table below provides a summary of the City's statement of net position for 2019 compared to 2018.

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	Restated 2018	2019	2018	2019	Restated 2018
Current and Other Assets	\$62,493,588	\$43,108,373	\$115,525,739	\$95,304,923	\$178,019,327	\$138,413,296
Capital assets, Net	115,335,322	111,973,050	306,816,452	309,170,326	422,151,774	421,143,376
Total Assets	<u>177,828,910</u>	<u>155,081,423</u>	<u>422,342,191</u>	<u>404,475,249</u>	<u>600,171,101</u>	<u>559,556,672</u>
Deferred Outflows of Resources	27,665,166	16,784,484	13,554,389	7,862,685	41,219,555	24,647,169
Net Pension Liability	76,588,141	54,938,978	34,133,406	19,184,853	110,721,547	74,123,831
Net OPEB Liability	15,480,634	48,204,864	16,458,460	13,434,952	31,939,094	61,639,816
Total OPEB Liability	300,592	265,451	1,202,368	1,061,804	1,502,960	1,327,255
Other Long-term Liabilities	60,157,951	43,547,039	137,050,581	123,836,809	197,208,532	167,383,848
Other Liabilities	9,320,348	10,220,446	12,857,132	12,908,859	22,177,480	23,129,305
Total Liabilities	<u>161,847,666</u>	<u>157,176,778</u>	<u>201,701,947</u>	<u>170,427,277</u>	<u>363,549,613</u>	<u>327,604,055</u>
Deferred Inflows of Resources	10,188,204	12,588,399	518,755	5,591,238	10,706,959	18,179,637
Net Position						
Net Investment in Capital Assets	73,715,986	69,635,711	192,842,977	191,875,521	266,558,963	261,511,232
Restricted	9,554,467	5,676,645	11,971,595	15,306,399	21,526,062	20,983,044
Unrestricted (Deficit)	(49,812,247)	(73,211,626)	28,861,306	29,137,499	(20,950,941)	(44,074,127)
Total Net Position	<u>\$33,458,206</u>	<u>\$2,100,730</u>	<u>\$233,675,878</u>	<u>\$236,319,419</u>	<u>\$267,134,084</u>	<u>\$238,420,149</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current year, this represented \$21,526,062.

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability (NOL) is reported by the City pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the OPEB liabilities to the reported net position and subtracting deferred outflows related to pension and OPEB.

The following discussion pertains to the Net Pension and Net OPEB liabilities reported in the City's financial statements as a result of the City's participation in the Ohio Public Employee's Retirement System and Ohio Police and Fire Pension Fund. The Total OPEB liability reported in the City's financial statements reflects OPEB benefits provided by the City through a Retiree Life Insurance plan. See Note 12 for more information on this plan.

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.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

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

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

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

CITY OF HAMILTON, OHIO

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

Unaudited

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.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services and Sales	\$18,356,658	\$16,667,089	\$131,009,724	\$128,203,193	\$149,366,382	\$144,870,282
Operating Grants and Contributions	6,358,220	3,508,525	742,114	744,842	7,100,334	4,253,367
Capital Grants and Contributions	3,881,170	2,800,741	0	0	3,881,170	2,800,741
Total Program Revenues	28,596,048	22,976,355	131,751,838	128,948,035	160,347,886	151,924,390
General Revenues:						
Property Taxes	5,708,134	5,692,257	0	0	5,708,134	5,692,257
Income Taxes	28,838,412	26,716,305	0	0	28,838,412	26,716,305
Other Local Taxes	3,290,355	3,307,094	0	0	3,290,355	3,307,094
Intergovernmental, Unrestricted	2,742,242	2,281,996	0	0	2,742,242	2,281,996
Investment Earnings	773,556	314,480	1,424,210	1,282,660	2,197,766	1,597,140
Miscellaneous	1,332,641	1,198,278	0	0	1,332,641	1,198,278
Total General Revenues	42,685,340	39,510,410	1,424,210	1,282,660	44,109,550	40,793,070
Total Revenues	71,281,388	62,486,765	133,176,048	130,230,695	204,457,436	192,717,460
Program Expenses						
General Government	8,781,340	7,716,575	0	0	8,781,340	7,716,575
Security of Persons and Property	4,871,606	35,283,600	0	0	4,871,606	35,283,600
Leisure Time Activities	3,182,781	2,880,127	0	0	3,182,781	2,880,127
Community Environment	2,644,798	2,409,400	0	0	2,644,798	2,409,400
Basic Utility Services	8,728,161	7,500,327	0	0	8,728,161	7,500,327
Transportation	8,140,992	8,072,742	0	0	8,140,992	8,072,742
Public Health and Welfare Services	1,418,978	1,525,836	0	0	1,418,978	1,525,836
Interest and Fiscal Charges	2,155,256	1,383,549	0	0	2,155,256	1,383,549
Gas Utility	0	0	21,001,035	22,634,644	21,001,035	22,634,644
Electric Utility	0	0	84,314,775	86,543,649	84,314,775	86,543,649
Water Utility	0	0	16,724,324	15,631,654	16,724,324	15,631,654
Wastewater Utility	0	0	13,779,455	15,037,103	13,779,455	15,037,103
Total Expenses	39,923,912	66,772,156	135,819,589	139,847,050	175,743,501	206,619,206
Total Change in Net Position	31,357,476	(4,285,391)	(2,643,541)	(9,616,355)	28,713,935	(13,901,746)
Beginning Net Position - Restated	2,100,730	6,386,121	236,319,419	245,935,774	238,420,149	252,321,895
Ending Net Position	\$33,458,206	\$2,100,730	\$233,675,878	\$236,319,419	\$267,134,084	\$238,420,149

CITY OF HAMILTON, OHIO

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

Unaudited

Governmental Activities

Governmental activities net position increased substantially in 2019, increasing \$31,357,476 to an ending balance of \$33,458,206. The majority of this increase in net position was a direct result of a decrease in the Ohio Police and Fire net OPEB liability.

An increase in charges for services can mostly be attributed to increases in storm water fees and golf fees. The increase in storm water fees was the result of an increase in the rate that is charged to consumers. Increased golf course revenue can be attributed to mild weather conditions throughout 2019.

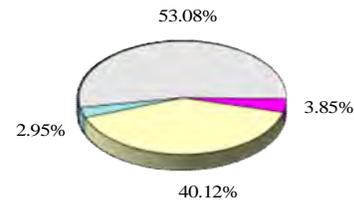
An increase in operating grants and contributions can be attributed to community development grants as well as increases in gas tax revenue, which can be attributed to an increase in the tax rate. Capital grants and contributions consisted of state and federal grants for various infrastructure improvements.

Changes in the Ohio Police and Fire net OPEB liability resulted in a significant decrease in security of persons and property expense. Moderate increases in other expense categories can be attributed to an increase in the Ohio Public Employees Retirement System net pension liability.

The City receives an income tax, which is based on 2% of all salaries, wages, commissions and other compensation and on net profits earned from residents and businesses located within the City.

Income taxes and property taxes made up 40% and 8%, respectively, of revenues for governmental activities in 2019. The City's reliance upon tax revenues is demonstrated by the following graph indicating 53% of total revenues from general tax revenues:

Revenue Sources	2019	Percent of Total
General Tax Revenues	\$37,836,901	53.08%
Intergovernmental, Unrestricted	2,742,242	3.85%
Program Revenues	28,596,048	40.12%
General Other	2,106,197	2.95%
Total Revenue	\$71,281,388	100.00%



Business-Type Activities

Net position of the business-type activities decreased \$2,643,541. This represented a 1% change from the prior year.

Gas Utility revenues and expenses for purchased gas declined due to a decrease in customer demand, which can be attributed to a mild winter.

Electric Utility expense for purchased power also decreased, due to a decline in demand, which was the result of mild weather conditions. However, electric charges for services increased as a result of the implementation of a five year rate plan, which increased the rate charged to consumers.

Water and Wastewater Utility revenues both increased due to rate increases, as part of a multi-year rate plan. An increase in water utility contractual services can be attributed to various contractual and maintenance costs. An increase in personal services across all four utilities was the result of changes in the net pension and net OPEB liabilities.

CITY OF HAMILTON, OHIO

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

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$40,424,812, which is an increase from last year's balance of \$20,736,712. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2019 and 2018:

	Fund Balance December 31, 2019	Restated Fund Balance December 31, 2018	Increase (Decrease)
General	\$17,041,141	\$16,470,149	\$570,992
Health Department	9,641	9,716	(75)
Debt Service	3,869	5,445	(1,576)
Other Governmental	23,370,161	4,251,402	19,118,759
Total	\$40,424,812	\$20,736,712	\$19,688,100

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2019 Revenues	2018 Revenues	Increase (Decrease)
Income Taxes	\$22,221,230	\$20,877,018	\$1,344,212
Property and Other Local Taxes	5,459,433	5,551,568	(92,135)
Intergovernmental Revenues	2,341,896	2,177,711	164,185
Charges for Services	5,926,977	5,740,485	186,492
Licenses and Permits	1,024,174	916,199	107,975
Investment Earnings	637,568	258,498	379,070
Fines and Forfeitures	529,743	616,268	(86,525)
All Other Revenue	572,030	910,390	(338,360)
Total	\$38,713,051	\$37,048,137	\$1,664,914

General Fund revenues increased \$1,664,914, or approximately 4%, when compared with the previous year. The largest contributing factor to this increase was an increase in income tax revenue, which can be attributed to improving economic conditions. An increase in investment earnings was the result of changes in the fair value of investments. Licenses and permits increased due to increases in various building permits.

CITY OF HAMILTON, OHIO

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

Unaudited

	2019 Expenditures	Restated* 2018 Expenditures	Increase (Decrease)
General Government	\$6,109,052	\$5,251,080	\$857,972
Security of Persons and Property	26,307,892	22,576,552	3,731,340
Leisure Time Activities	1,611,892	1,293,047	318,845
Community Environment	696,938	772,224	(75,286)
Basic Utility Services	346,056	328,958	17,098
Debt Service:			
Principal Retirement	525,000	0	525,000
Interest and Fiscal Charges	527,146	0	527,146
Total	\$36,123,976	\$30,221,861	\$5,902,115

*Prior year amounts are restated to reflect reclassification of Health Department activity to a special revenue fund.

General Fund expenditures increased \$5,902,115, or approximately 20% from the prior year. An increase in general government can mostly be attributed to a \$600,000 grant to the Hamilton Community Improvement Corporation. A decrease in reimbursements to the General Fund from several public safety funds, as well as an overall increase in salaries, contributed to an increase in security of persons and property. Leisure time activities increased due to amounts paid to the Hamilton Parks Conservancy for the purchase of golf carts. Principal and interest expenditures consisted of capital lease payments.

Health Department Fund – The City's Health Department Fund remained stable, decreasing from a balance of \$9,716 to \$9,641. Public health expenditures of \$1,200,403 were funded by grants, charges for services, licenses and permits, and transfers in from the general fund.

Debt Service Fund – The City's Debt Service Fund remained stable, decreasing from a balance of \$5,445 to \$3,869. Debt service expenditures increased substantially, due to additional principal retirement paid on the income tax revenue bonds. Other financing sources consisted of capital lease proceeds and transfers in.

Other Governmental Funds – The City's Other Governmental Funds reported an increase in fund balance of \$19,118,759. This increase can be attributed to long term debt issuance proceeds.

Increases in Ohio Department of Transportation and community development grants contributed to an increase in intergovernmental revenues. Also contributing to an increase in intergovernmental revenues was an increase in gas tax revenue, which can be attributed to an increase in the tax rate. An increase in charges for services can mostly be attributed to increases in storm water fees and golf fees. The increase in storm water fees was the result of an increase in the rate that is charged to consumers. Increased golf course revenue can be attributed to mild weather conditions throughout 2019.

A decrease in reimbursements to the General Fund from several public safety Other Governmental Funds resulted in a decrease in security of persons and property.

CITY OF HAMILTON, OHIO

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

Unaudited

Budgetary

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2019 the City amended its General Fund budget several times.

For the General Fund, original budgeted revenues, final budgeted revenues, and actual budget basis receipts were not materially different. Original budgeted expenditures, final budgeted expenditures, and actual budget basis expenditures were not materially different.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had \$422,151,774 invested in land, construction in progress, buildings, improvements, infrastructure, and machinery and equipment, net of accumulated depreciation. Of this total, \$115,335,322 was related to governmental activities and \$306,816,452 to the business-type activities. The following tables show 2019 and 2018 balances:

	Governmental Activities		Increase (Decrease)
	2019	2018	
Land	\$19,937,050	\$19,937,050	\$0
Construction In Progress	32,937,720	27,977,972	4,959,748
Buildings and Improvements	46,125,534	46,006,559	118,975
Machinery and Equipment	32,023,607	30,427,047	1,596,560
Infrastructure	167,458,924	167,458,924	0
Less: Accumulated Depreciation	<u>(183,147,513)</u>	<u>(179,834,502)</u>	<u>(3,313,011)</u>
Totals	<u>\$115,335,322</u>	<u>\$111,973,050</u>	<u>\$3,362,272</u>

Construction in progress increased as a direct result of the 2018 concrete repair and resurfacing project, two intersection improvement projects, including Main/Eaton/Millville and the continuation of the Hamilton Beltline project.

Buildings and improvements increased due to the addition of a restroom at Fire Station 24 and improvements to One Renaissance Center.

Machinery and equipment increased due to the purchase of several police vehicles, an ambulance and water rescue craft for the fire department, a dump truck for public works and a street sweeper and curbtender for the streets department.

CITY OF HAMILTON, OHIO

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

Unaudited

	Business-Type Activities		Increase (Decrease)
	2019	2018	
Land	\$7,908,794	\$7,908,794	\$0
Construction in Progress	33,227,873	33,054,026	173,847
Intangible Capital Assets	1,070,786	1,070,786	0
Buildings and Improvements	132,324,528	131,658,351	666,177
Machinery and Equipment	669,123,799	658,004,491	11,119,308
Less: Accumulated Depreciation	(536,839,328)	(522,526,122)	(14,313,206)
Totals	\$306,816,452	\$309,170,326	(\$2,353,874)

The increase in construction in progress was due to the beginning of construction of a new electric substation near Hamilton Enterprise Park.

Buildings and improvements increased as a direct result of the completion of the roof replacement at the utility maintenance building.

Machinery and equipment increased due to the completion of two gas main replacement projects, the 2018 and 2019 pole replacement programs, overhead electric upgrades at Hamilton Enterprise Park, Main street streetscape project and four water main replacement projects. Several utility vehicles were purchased including a dump truck and mini excavator for gas and water, a sanitary sewer CCTV truck and upgraded camera equipment for an existing CCTV truck.

Additional information on the City's capital assets can be found in Note 10.

Debt and Other Long-Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2019 and 2018:

	2019	2018
Governmental Activities:		
General Obligation Bonds	\$13,402,229	\$14,057,373
Income Tax Revenue Bonds	10,265,609	20,915,338
Special Assessment Bonds	210,000	305,000
OWDA Loan	3,331,707	3,286,599
Long Term Notes	3,893,340	0
Capital Leases	24,335,000	0
Compensated Absences	4,720,066	4,982,729
Total Governmental Activities	60,157,951	43,547,039
Business-Type Activities:		
Mortgage Revenue Bonds	123,004,012	111,358,507
General Obligation Bonds	535,000	555,000
OWDA Loans	2,194,157	1,868,038
OPWC Loans	8,376,372	7,142,237
Compensated Absences	2,941,040	2,913,027
Total Business-Type Activities	137,050,581	123,836,809
Totals	\$197,208,532	\$167,383,848

Under state law, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2019, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

ECONOMIC FACTORS

The City's Budget and Financial Policies Resolution R2012-6-25 requires the maintenance of a minimum General Fund Balance (reserve) of 10-16% of budgeted expenditures. Per this resolution, if the General Fund reserve rises above 16% of General Fund revenues at the fiscal year-end, the amount over 16% will be swept into an Economic Budget Stabilization Fund, which can be expended only through special action by City Council. The 2019 unencumbered General Fund cash was \$7,933,032 (non-GAAP), or 16.6% of 2019 qualifying General Fund revenues.

In 2019, the City was successful in holding the General Fund expenditures to 2018 levels. After factoring in reimbursements from Hamilton City Schools for School Resource Officers, salary and benefits increased 1.86%. While, non-salary and benefit expenditures decreased 5.66% and income tax receipts were up 7.4% (all funds) over 2018. The City transferred \$295,415 into the Economic Budget Stabilization fund in January 2020, due to the City's improving fiscal condition that was created by controlling expenditures and increased revenues through ongoing economic development. After that transfer, the balance in the City's Economic Budget Stabilization fund was \$2,000,000.

The GFOA recommends governments adopt rigorous policies for all operating funds in order to achieve and maintain a structurally balanced budget. The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to or greater than recurring expenditures in the adopted budget. City Council Resolution 2012-6-25 sets forth these policies. The 2020 General Fund Adopted Budget is structurally balanced with revenue and expenditures estimated to be \$47.86 million.

In 2019, a \$1.8 million-dollar renovation of the Davis building was completed allotting space for four commercial tenants and 12 residential units on the third and fourth floors. A groundbreaking ceremony was held on October 25, 2018 for the planned Spooky Nook sports complex at the former Champion Paper Mill. The project, led by Manheim, PA-based Spooky Nook Sports LLC, is slated to include a sports complex, fitness center, hotel, restaurants, brewery, meeting and event space, and other entertainment venues. In September 2018, 80 Acres, a vertical organic farming company, announced it will build the first fully-automated indoor farm in the United States at Hamilton Enterprise Park. The facility began operations in the Summer of 2019. The company is also converting the old Miami Motor building on South Second Street into a growing facility and the company's corporate headquarters.

The City must continue to control or reduce expenditures while maintaining attractive service levels which will make Hamilton a great place to work, live and play.

CITY OF HAMILTON, OHIO

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

Unaudited

Requests for Information

While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

This financial report is designed to provide our citizens, taxpayers, creditors, investors and elected officials with a general overview of the City's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the Office of the City of Hamilton Finance Director, 345 High Street, 7th Floor, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

CITY OF HAMILTON, OHIO

**Statement of Net Position
December 31, 2019**

	Governmental Activities	Business-Type Activities	Total	Component Unit Hamilton Community Authority
Assets:				
Equity in Pooled Cash and Investments	\$ 31,102,283	\$ 85,200,977	\$ 116,303,260	\$ 0
Cash and Investments	0	0	0	6,296
Receivables:				
Taxes	12,671,440	0	12,671,440	0
Accounts	1,298,591	15,487,078	16,785,669	0
Due From Other Governments	3,346,797	0	3,346,797	0
Interest	40,176	248,631	288,807	194,213
Special Assessments	427,967	0	427,967	0
Loans	11,836,491	0	11,836,491	0
Leases	0	0	0	24,335,000
Inventory of Supplies at Cost	114,053	2,069,968	2,184,021	0
Prepaid Items	164,436	547,490	711,926	0
Restricted Assets:				
Cash and Investments	0	11,971,595	11,971,595	0
Cash with Fiscal Agent	1,491,354	0	1,491,354	0
Non-Depreciable Capital Assets	52,874,770	41,136,667	94,011,437	0
Depreciable Capital Assets, Net	62,460,552	265,679,785	328,140,337	0
Total Assets	177,828,910	422,342,191	600,171,101	24,535,509
Deferred Outflows of Resources:				
Deferred Charge on Debt Refunding	35,913	1,371,440	1,407,353	0
Pension	21,777,845	10,483,371	32,261,216	0
OPEB	5,851,408	1,699,578	7,550,986	0
Total Deferred Outflows of Resources	27,665,166	13,554,389	41,219,555	0
Liabilities:				
Accounts Payable	4,854,318	7,420,182	12,274,500	0
Accrued Wages and Benefits	1,535,277	949,973	2,485,250	0
Intergovernmental Payable	611,683	306,576	918,259	0
Payroll Withholding Payable	641,760	0	641,760	0
Claims Payable	721,010	0	721,010	0
Accrued Liabilities	546,651	936	547,587	0
Customer Deposits	7,855	3,137,638	3,145,493	0
Unearned Revenue	5,400	0	5,400	0
Accrued Interest Payable	396,394	1,041,827	1,438,221	194,213
Long-Term Liabilities:				
Due Within One Year	8,192,505	6,489,199	14,681,704	465,000
Due in More Than One Year:				
Net Pension Liability	76,588,141	34,133,406	110,721,547	0
Net OPEB Liability	15,480,634	16,458,460	31,939,094	0
Total OPEB Liability	300,592	1,202,368	1,502,960	0
Other Amounts Due in More Than One Year	51,965,446	130,561,382	182,526,828	24,496,438
Total Liabilities	161,847,666	201,701,947	363,549,613	25,155,651

CITY OF HAMILTON, OHIO

Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total	Component Unit Hamilton Community Authority
Deferred Inflows of Resources:				
Property Tax Levy for Next Fiscal Year	5,801,477	0	5,801,477	0
Pension	1,933,268	448,186	2,381,454	0
OPEB	2,453,459	70,569	2,524,028	0
Total Deferred Inflows of Resources	10,188,204	518,755	10,706,959	0
Net Position:				
Net Investment in Capital Assets	73,715,986	192,842,977	266,558,963	0
Restricted For:				
Debt Service	0	2,471,595	2,471,595	0
Capital Projects	1,943,651	0	1,943,651	0
Community Environment	428,013	0	428,013	0
General Government	692,007	0	692,007	0
Public Health and Welfare Services	9,641	0	9,641	0
Security of Persons and Property	4,124,690	0	4,124,690	0
Streets	2,281,465	0	2,281,465	0
Nonexpendable Endowments	75,000	0	75,000	0
Rate Stabilization	0	9,500,000	9,500,000	0
Unrestricted (Deficit)	(49,812,247)	28,861,306	(20,950,941)	(620,142)
Total Net Position	\$ 33,458,206	\$ 233,675,878	\$ 267,134,084	\$ (620,142)

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Activities
For the Year Ended December 31, 2019**

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 8,781,340	\$ 4,929,109	\$ 0	\$ 0
Security of Persons and Property	4,871,606	3,255,130	68,286	49,958
Leisure Time Activities	3,182,781	1,064,951	0	0
Community Environment	2,644,798	861,033	1,250,827	0
Basic Utility Services	8,728,161	7,098,064	0	0
Transportation	8,140,992	909,805	4,992,211	3,831,212
Public Health and Welfare Services	1,418,978	238,566	24,668	0
Interest and Fiscal Charges	2,155,256	0	22,228	0
Total Governmental Activities	39,923,912	18,356,658	6,358,220	3,881,170
Business-Type Activities:				
Gas Utility	21,001,035	21,076,426	0	0
Electric Utility	84,314,775	81,730,855	312,719	0
Water Utility	16,724,324	14,747,917	193,754	0
Wastewater Utility	13,779,455	13,454,526	235,641	0
Total Business-Type Activities	135,819,589	131,009,724	742,114	0
Total Primary Government	\$ 175,743,501	\$ 149,366,382	\$ 7,100,334	\$ 3,881,170
Component Unit:				
Hamilton Community Authority	\$ 1,433,969	\$ 813,209	\$ 0	\$ 0

General Revenues

Property Taxes Levied for:

General Purposes

Special Purposes

Capital Purposes

Income Tax

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year - Restated

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Activities
For the Year Ended December 31, 2019**

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	Hamilton Community Authority
\$ (3,852,231)	\$ 0	\$ (3,852,231)	
(1,498,232)	0	(1,498,232)	
(2,117,830)	0	(2,117,830)	
(532,938)	0	(532,938)	
(1,630,097)	0	(1,630,097)	
1,592,236	0	1,592,236	
(1,155,744)	0	(1,155,744)	
(2,133,028)	0	(2,133,028)	
<u>(11,327,864)</u>	<u>0</u>	<u>(11,327,864)</u>	
0	75,391	75,391	
0	(2,271,201)	(2,271,201)	
0	(1,782,653)	(1,782,653)	
0	(89,288)	(89,288)	
<u>0</u>	<u>(4,067,751)</u>	<u>(4,067,751)</u>	
\$ (11,327,864)	\$ (4,067,751)	\$ (15,395,615)	
			<u>\$ (620,760)</u>
2,225,911	0	2,225,911	0
2,380,736	0	2,380,736	0
1,101,487	0	1,101,487	0
28,838,412	0	28,838,412	0
3,290,355	0	3,290,355	0
2,742,242	0	2,742,242	0
773,556	1,424,210	2,197,766	618
1,332,641	0	1,332,641	0
<u>42,685,340</u>	<u>1,424,210</u>	<u>44,109,550</u>	<u>618</u>
31,357,476	(2,643,541)	28,713,935	(620,142)
2,100,730	236,319,419	238,420,149	0
<u>\$ 33,458,206</u>	<u>\$ 233,675,878</u>	<u>\$ 267,134,084</u>	<u>\$ (620,142)</u>

CITY OF HAMILTON, OHIO

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

	General	Health Department	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$ 14,449,819	\$ 9,641	\$ 3,869	\$ 16,438,641	\$ 30,901,970
Receivables:					
Taxes	7,100,089	0	0	5,571,351	12,671,440
Accounts	292,267	0	0	1,006,324	1,298,591
Intergovernmental	1,201,307	0	0	2,145,490	3,346,797
Interest	32,333	0	0	7,843	40,176
Special Assessments	0	0	0	427,967	427,967
Loans	1,960,000	0	0	9,876,491	11,836,491
Due from Other Funds	3,082	0	0	0	3,082
Interfund Receivable	942,000	0	0	0	942,000
Inventory of Supplies, at Cost	59,011	0	0	33,161	92,172
Prepaid Items	137,570	0	0	26,866	164,436
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	1,491,354	0	0	0	1,491,354
Total Assets	\$ 27,668,832	\$ 9,641	\$ 3,869	\$ 35,534,134	\$ 63,216,476
Liabilities:					
Accounts Payable	\$ 774,016	\$ 0	\$ 0	\$ 3,847,162	\$ 4,621,178
Accrued Wages and Benefits Payable	1,346,319	0	0	153,167	1,499,486
Intergovernmental Payable	529,043	0	0	73,049	602,092
Payroll Withholding Payable	641,760	0	0	0	641,760
Claims Payable	721,010	0	0	0	721,010
Accrued Liabilities	423,655	0	0	122,996	546,651
Customer Deposits	0	0	0	7,855	7,855
Due to Other Funds	0	0	0	3,082	3,082
Interfund Payable	0	0	0	942,000	942,000
Unearned Revenue	0	0	0	5,400	5,400
Total Liabilities	4,435,803	0	0	5,154,711	9,590,514
Deferred Inflows of Resources:					
Unavailable Amounts	3,924,498	0	0	3,475,175	7,399,673
Property Tax Levy for Next Fiscal Year	2,267,390	0	0	3,534,087	5,801,477
Total Deferred Inflows of Resources	6,191,888	0	0	7,009,262	13,201,150
Fund Balance:					
Nonspendable	228,832	0	0	135,027	363,859
Restricted	0	9,641	0	6,148,108	6,157,749
Committed	0	0	0	3,382,530	3,382,530
Assigned	3,123,241	0	3,869	14,355,360	17,482,470
Unassigned	13,689,068	0	0	(650,864)	13,038,204
Total Fund Balance	17,041,141	9,641	3,869	23,370,161	40,424,812
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 27,668,832	\$ 9,641	\$ 3,869	\$ 35,534,134	\$ 63,216,476

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2019***

Total Governmental Fund Balances \$ 40,424,812

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. 115,316,055

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 7,399,673

The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	21,403,675	
Deferred Inflows - Pension	(1,917,361)	
Net Pension Liability	(75,376,628)	
Deferred Outflows - OPEB	5,794,505	
Deferred Inflows - OPEB	(2,451,874)	
Net OPEB Liability	(14,896,466)	
Total OPEB Liability	(300,592)	(67,744,741)

Internal service funds are used by management to charge back costs of services to individual funds. The assets, liabilities, and deferred outflows/inflows of the Fleet Maintenance Fund are included in governmental activities in the statement of net position. (1,515,600)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(13,440,000)	
Special Assessment Bonds Payable	(210,000)	
Bond Discount	37,771	
Income Tax Revenue Bonds	(10,265,609)	
Ohio Water Development Authority Loans	(3,331,707)	
Deferred Loss on Refunding	35,913	
Long Term Notes Payable	(3,893,340)	
Capital Leases Payable	(24,335,000)	
Compensated Absences Payable	(4,623,627)	
Accrued Interest Payable	(396,394)	(60,421,993)

Net Position of Governmental Activities **\$ 33,458,206**

See accompanying notes to the basic financial statements



CITY OF HAMILTON, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019**

	General	Health Department	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income Taxes	\$ 22,221,230	\$ 0	\$ 0	\$ 6,451,375	\$ 28,672,605
Property and Other Local Taxes	5,459,433	0	0	3,632,531	9,091,964
Intergovernmental Revenues	2,341,896	24,668	0	10,212,707	12,579,271
Charges for Services	5,926,977	222,005	0	8,794,448	14,943,430
Licenses and Permits	1,024,174	145,955	0	401,928	1,572,057
Investment Earnings	637,568	261	0	135,727	773,556
Special Assessments	0	0	0	753,092	753,092
Fines and Forfeitures	529,743	0	0	434,496	964,239
All Other Revenue	572,030	1,422	0	486,011	1,059,463
Total Revenues	38,713,051	394,311	0	31,302,315	70,409,677
Expenditures:					
Current:					
General Government	6,109,052	0	0	115,377	6,224,429
Security of Persons and Property	26,307,892	0	0	5,321,937	31,629,829
Leisure Time Activities	1,611,892	0	0	1,118,254	2,730,146
Community Environment	696,938	0	0	1,642,440	2,339,378
Basic Utility Services	346,056	0	0	7,741,627	8,087,683
Transportation	0	0	0	3,196,931	3,196,931
Public Health and Welfare Services	0	1,200,403	0	0	1,200,403
Capital Outlay	0	0	0	10,610,750	10,610,750
Debt Service:					
Principal Retirement	525,000	0	11,286,973	154,934	11,966,907
Interest and Fiscal Charges	527,146	0	909,411	211,972	1,648,529
Total Expenditures	36,123,976	1,200,403	12,196,384	30,114,222	79,634,985
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,589,075	(806,092)	(12,196,384)	1,188,093	(9,225,308)
Other Financing Sources (Uses):					
Sale of Capital Assets	3,312	0	0	78,646	81,958
Capital Lease Issuance	111,654	0	9,516,507	15,231,839	24,860,000
OWDA Loans Issued	0	0	0	92,286	92,286
Long Term Note Issuance	0	0	0	3,893,340	3,893,340
Transfers In	0	806,017	3,798,043	2,930,339	7,534,399
Transfers Out	(2,131,339)	0	(1,119,742)	(4,283,318)	(7,534,399)
Total Other Financing Sources (Uses)	(2,016,373)	806,017	12,194,808	17,943,132	28,927,584
Net Change in Fund Balance	572,702	(75)	(1,576)	19,131,225	19,702,276
Fund Balance at Beginning of Year - Restated	16,470,149	9,716	5,445	4,251,402	20,736,712
Decrease in Inventory	(1,710)	0	0	(12,466)	(14,176)
Fund Balance End of Year	\$ 17,041,141	\$ 9,641	\$ 3,869	\$ 23,370,161	\$ 40,424,812

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2019***

Net Change in Fund Balances - Total Governmental Funds \$ 19,702,276

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	7,073,504	
Depreciation Expense	<u>(3,702,196)</u>	3,371,308

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 871,711

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

Pension	4,804,751	
OPEB	<u>83,850</u>	4,888,601

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:

Pension	(11,130,546)	
OPEB	<u>31,059,531</u>	19,928,985

The issuance of long-term debt provides current financial resources to governmental funds, however, has no effect on net position.

Long Term Notes Issued	(3,893,340)	
Capital Lease Issuance	(24,860,000)	
Ohio Water Development Authority Loan Issuance	<u>(92,286)</u>	(28,845,626)

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bond Principal Payment	650,000	
Special Assessment Bond Principal Payment	95,000	
Income Tax Revenue Bond Principal Payment	10,649,729	
OWDA Loan Principal Payment	47,178	
Capital Lease Principal Payment	525,000	
Change in Deferred Loss on Refunding	(249,361)	
Change in Bond Premium/Discount	<u>5,144</u>	11,722,690

(Continued)

CITY OF HAMILTON, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2019***

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (262,510)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	231,506	
Change in Inventory	<u>(14,176)</u>	217,330

Internal Service Funds are used by management to charge costs to individual funds and are not reported in the statement of activities.

Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the Fleet Maintenance Fund is allocated among the governmental activities. (237,289)

Change in Net Position of Governmental Activities \$ 31,357,476

See accompanying notes to the basic financial statements



CITY OF HAMILTON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 20,630,000	\$ 20,624,869	\$ 22,285,343	\$ 1,660,474
Property and Other Local Taxes	5,345,000	5,345,000	5,461,838	116,838
Intergovernmental Revenues	1,975,900	1,975,900	2,375,891	399,991
Charges for Services	15,716,150	16,201,150	13,909,597	(2,291,553)
Licenses and Permits	858,190	858,190	1,170,129	311,939
Investment Earnings	177,500	177,500	545,912	368,412
Fines and Forfeitures	638,300	638,300	561,027	(77,273)
All Other Revenue	237,150	290,650	546,341	255,691
Total Revenues	45,578,190	46,111,559	46,856,078	744,519
Expenditures:				
Current:				
Security of Persons and Property	31,260,855	31,265,177	30,947,179	317,998
Public Health and Welfare Services	1,222,351	1,267,204	1,212,141	55,063
Community Environment	1,353,066	1,777,484	1,252,283	525,201
Basic Utility Services	1,418,859	1,472,916	1,373,213	99,703
General Government	11,121,242	11,848,685	11,126,783	721,902
Total Expenditures	46,376,373	47,631,466	45,911,599	1,719,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	(798,183)	(1,519,907)	944,479	2,464,386
Other Financing Sources (Uses):				
Sale of Capital Assets	1,500	1,500	3,312	1,812
Transfers In	0	459,558	459,559	1
Transfers Out	(840,000)	(1,940,000)	(1,443,298)	496,702
Total Other Financing Sources (Uses):	(838,500)	(1,478,942)	(980,427)	498,515
Net Change in Fund Balance	(1,636,683)	(2,998,849)	(35,948)	2,962,901
Fund Balance at Beginning of Year	6,334,800	6,334,800	6,334,800	0
Prior Year Encumbrances	1,636,683	1,636,683	1,636,683	0
Fund Balance at End of Year	\$ 6,334,800	\$ 4,972,634	\$ 7,935,535	\$ 2,962,901

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Health Department Fund
For the Year Ended December 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 40,000	\$ 40,000	\$ 4,516	\$ (35,484)
Investment Earnings	70	70	188	118
All Other Revenue	1,425	1,425	1,422	(3)
Total Revenues	41,495	41,495	6,126	(35,369)
Expenditures:				
Current:				
Public Health and Welfare Services	42,286	7,670	7,161	509
Total Expenditures	42,286	7,670	7,161	509
Net Change in Fund Balance	(791)	33,825	(1,035)	(34,860)
Fund Balance at Beginning of Year	8,876	8,876	8,876	0
Prior Year Encumbrances	1,776	1,776	1,776	0
Fund Balance at End of Year	\$ 9,861	\$ 44,477	\$ 9,617	\$ (34,860)

See accompanying notes to the basic financial statements



CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2019**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 5,325,369	\$ 51,263,941	\$ 12,020,054
Restricted Cash and Investments	2,500,000	5,168,942	1,527,779
Receivables:			
Accounts	3,432,027	8,773,791	1,587,804
Interest	15,464	149,935	34,996
Inventory of Supplies at Cost	176,047	1,622,780	269,300
Prepaid Items	80,436	323,972	77,447
Total Current Assets	11,529,343	67,303,361	15,517,380
Noncurrent Assets:			
Non Depreciable Capital Assets	2,710,070	21,703,700	9,731,547
Depreciable Capital Assets, Net	30,841,174	96,332,132	87,805,557
Total Noncurrent Assets	33,551,244	118,035,832	97,537,104
Total Assets	45,080,587	185,339,193	113,054,484
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	238,085	307,042	527,898
Pension	954,451	4,994,959	1,372,642
OPEB	176,052	775,475	239,236
Total Deferred Outflows of Resources	1,368,588	6,077,476	2,139,776
Liabilities:			
Current Liabilities:			
Accounts Payable	1,303,869	4,788,937	673,980
Accrued Wages and Benefits	93,873	430,569	131,854
Intergovernmental Payable	31,164	144,449	43,363
Accrued Liabilities - Current	0	936	0
Customer Deposits Payable	783,808	1,768,654	279,648
Compensated Absences Payable - Current	183,826	671,803	275,845
Accrued Interest Payable	36,490	353,350	250,637
General Obligation Bonds Payable - Current	0	0	0
Revenue Bonds Payable - Current	605,000	1,210,000	915,000
OWDA Loans Payable - Current	0	0	42,103
OPWC Loans Payable - Current	0	0	63,694
Total Current Liabilities	3,038,030	9,368,698	2,676,124

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2019**

	Wastewater	Total	Governmental Activities - Internal Service Funds
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 16,443,109	\$ 85,052,473	\$ 348,817
Restricted Cash and Investments	2,774,874	11,971,595	0
Receivables:			
Accounts	1,693,456	15,487,078	0
Interest	48,236	248,631	0
Inventory of Supplies at Cost	1,841	2,069,968	21,881
Prepaid Items	65,635	547,490	0
Total Current Assets	<u>21,027,151</u>	<u>115,377,235</u>	<u>370,698</u>
Noncurrent Assets:			
Non Depreciable Capital Assets	6,991,350	41,136,667	0
Depreciable Capital Assets, Net	50,700,922	265,679,785	19,267
Total Noncurrent Assets	<u>57,692,272</u>	<u>306,816,452</u>	<u>19,267</u>
Total Assets	<u>78,719,423</u>	<u>422,193,687</u>	<u>389,965</u>
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	298,415	1,371,440	0
Pension	942,960	8,265,012	2,592,529
OPEB	174,527	1,365,290	391,191
Total Deferred Outflows of Resources	<u>1,415,902</u>	<u>11,001,742</u>	<u>2,983,720</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	303,133	7,069,919	583,403
Accrued Wages and Benefits	99,789	756,085	229,679
Intergovernmental Payable	31,842	250,818	65,349
Accrued Liabilities - Current	0	936	0
Customer Deposits Payable	305,528	3,137,638	0
Compensated Absences Payable - Current	211,836	1,343,310	340,335
Accrued Interest Payable	401,350	1,041,827	0
General Obligation Bonds Payable - Current	20,000	20,000	0
Revenue Bonds Payable - Current	1,905,000	4,635,000	0
OWDA Loans Payable - Current	36,674	78,777	0
OPWC Loans Payable - Current	60,725	124,419	0
Total Current Liabilities	<u>3,375,877</u>	<u>18,458,729</u>	<u>1,218,766</u>

(Continued)

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2019**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Revenue Bonds Payable	5,775,000	41,502,319	30,347,110
OWDA Loans Payable	0	0	808,157
OPWC Loans Payable	0	0	4,790,606
Compensated Absences Payable	134,755	580,055	260,355
Net Pension Liability	3,108,207	16,288,107	4,464,933
Net OPEB Liability	1,498,716	7,853,807	2,152,902
Total OPEB Liability	<u>300,592</u>	<u>300,592</u>	<u>300,592</u>
Total Noncurrent Liabilities	<u>10,817,270</u>	<u>66,524,880</u>	<u>43,124,655</u>
Total Liabilities	<u>13,855,300</u>	<u>75,893,578</u>	<u>45,800,779</u>
Deferred Inflows of Resources:			
Pension	40,810	213,873	58,625
OPEB	<u>10,545</u>	<u>27,787</u>	<u>12,320</u>
Total Deferred Inflows of Resources	<u>51,355</u>	<u>241,660</u>	<u>70,945</u>
Net Position:			
Net Investment in Capital Assets	28,582,432	90,563,524	63,361,840
Restricted for Debt Service	0	1,168,942	527,779
Restricted for Rate Stabilization	2,500,000	4,000,000	1,000,000
Unrestricted	<u>1,460,088</u>	<u>19,548,965</u>	<u>4,432,917</u>
Total Net Position	<u>\$ 32,542,520</u>	<u>\$ 115,281,431</u>	<u>\$ 69,322,536</u>

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2019**

	Wastewater	Total	Governmental Activities - Internal Service Funds
Noncurrent Liabilities:			
General Obligation Bonds Payable	515,000	515,000	0
Revenue Bonds Payable	40,744,583	118,369,012	0
OWDA Loans Payable	1,307,223	2,115,380	0
OPWC Loans Payable	3,461,347	8,251,953	0
Compensated Absences Payable	183,185	1,158,350	195,484
Net Pension Liability	3,069,559	26,930,806	8,414,113
Net OPEB Liability	1,480,082	12,985,507	4,057,121
Total OPEB Liability	300,592	1,202,368	0
Total Noncurrent Liabilities	51,061,571	171,528,376	12,666,718
Total Liabilities	54,437,448	189,987,105	13,885,484
Deferred Inflows of Resources:			
Pension	40,303	353,611	110,482
OPEB	10,494	61,146	11,008
Total Deferred Inflows of Resources	50,797	414,757	121,490
Net Position:			
Net Investment in Capital Assets	10,335,181	192,842,977	19,267
Restricted for Debt Service	774,874	2,471,595	0
Restricted for Rate Stabilization	2,000,000	9,500,000	0
Unrestricted	12,537,025	37,978,995	(10,652,556)
Total Net Position	\$ 25,647,080	\$ 242,793,567	\$ (10,633,289)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.		(9,117,689)	
Net Position of Business-type Activities		\$ 233,675,878	

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Operating Revenues:			
Charges for Services	\$ 21,021,603	\$ 81,207,311	\$ 14,381,567
Other Operating Revenues	54,823	523,544	366,350
Total Operating Revenues	<u>21,076,426</u>	<u>81,730,855</u>	<u>14,747,917</u>
Operating Expenses:			
Personal Services	3,076,586	13,499,907	4,297,110
Contractual Services	1,216,223	7,432,090	3,502,862
Materials and Supplies	213,164	1,110,301	1,464,549
Purchase of Gas and Electric	10,660,616	48,933,774	0
Depreciation	2,059,407	6,880,834	3,276,085
Other Operating Expenses	3,544,434	3,526,668	2,698,125
Total Operating Expenses	<u>20,770,430</u>	<u>81,383,574</u>	<u>15,238,731</u>
Operating Income (Loss)	305,996	347,281	(490,814)
Non-Operating Revenue (Expenses):			
Interest Income	228,064	822,934	129,371
Interest and Fiscal Charges	(213,621)	(1,845,396)	(1,431,959)
Loss on Disposal of Capital Assets	(16,984)	(52,220)	(53,634)
Grants	0	312,719	193,754
Total Non-Operating Revenues (Expenses)	<u>(2,541)</u>	<u>(761,963)</u>	<u>(1,162,468)</u>
Change in Net Position	303,455	(414,682)	(1,653,282)
Net Position Beginning of Year	<u>32,239,065</u>	<u>115,696,113</u>	<u>70,975,818</u>
Net Position End of Year	<u>\$ 32,542,520</u>	<u>\$ 115,281,431</u>	<u>\$ 69,322,536</u>

CITY OF HAMILTON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019**

	Wastewater	Total	Governmental Activities - Internal Service Funds
Operating Revenues:			
Charges for Services	\$ 13,137,572	\$ 129,748,053	\$ 11,637,211
Other Operating Revenues	316,954	1,261,671	22,769
Total Operating Revenues	13,454,526	131,009,724	11,659,980
Operating Expenses:			
Personal Services	3,080,211	23,953,814	7,539,564
Contractual Services	2,951,034	15,102,209	3,032,064
Materials and Supplies	254,124	3,042,138	1,976,624
Purchase of Gas and Electric	0	59,594,390	0
Depreciation	3,122,058	15,338,384	9,036
Other Operating Expenses	2,539,097	12,308,324	374,066
Total Operating Expenses	11,946,524	129,339,259	12,931,354
Operating Income (Loss)	1,508,002	1,670,465	(1,271,374)
Non-Operating Revenue (Expenses):			
Interest Income	243,841	1,424,210	500
Interest and Fiscal Charges	(1,823,318)	(5,314,294)	0
Loss on Disposal of Capital Assets	(9,613)	(132,451)	0
Grants	235,641	742,114	0
Total Non-Operating Revenues (Expenses)	(1,353,449)	(3,280,421)	500
Change in Net Position	154,553	(1,609,956)	(1,270,874)
Net Position Beginning of Year	25,492,527	244,403,523	(9,362,415)
Net Position End of Year	\$ 25,647,080	\$ 242,793,567	\$ (10,633,289)
Change in Net Position - Total Enterprise Funds		\$ (1,609,956)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.		(1,033,585)	
Change in Net Position - Business-type Activities		\$ (2,643,541)	

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019***

	Business Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$21,110,804	\$80,679,197	\$14,943,915
Cash Payments for Goods and Services	(16,313,440)	(58,436,617)	(7,561,803)
Cash Payments to Employees	(2,261,679)	(11,180,545)	(3,224,862)
Net Cash Provided by Operating Activities	<u>2,535,685</u>	<u>11,062,035</u>	<u>4,157,250</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	0	312,719	193,754
Kilowatt Hour Tax Received	0	2,375,056	0
Kilowatt Hour Tax Paid to State	0	(2,375,056)	0
Advances Out to Other Funds	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>312,719</u>	<u>193,754</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
General Obligation Bond Principal Retirement	0	0	0
Revenue Bond Proceeds	0	26,885,000	9,875,000
Premium on Debt Issuance	0	2,554,328	1,177,270
Discount on Debt Issuance	0	(151,394)	(19,181)
Revenue Bond Principal Retirement	(585,000)	(15,440,000)	(9,730,000)
OWDA Loan Proceeds	0	0	0
OPWC Loan Proceeds	0	0	1,394,902
OWDA Loan Principal Retirement	0	0	(35,838)
OPWC Loan Principal Retirement	0	0	(39,316)
Interest and Fiscal Charges	(188,133)	(2,211,554)	(1,639,603)
Acquisition and Construction of Assets	(1,617,577)	(7,378,864)	(3,073,688)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,390,710)</u>	<u>4,257,516</u>	<u>(2,090,454)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	230,136	789,688	128,125
Net Cash Provided by Investing Activities	<u>230,136</u>	<u>789,688</u>	<u>128,125</u>
Net Increase in Cash and Cash Equivalents	375,111	16,421,958	2,388,675
Cash and Cash Equivalents at Beginning of Year	<u>7,450,258</u>	<u>40,010,925</u>	<u>11,159,158</u>
Cash and Cash Equivalents at End of Year	<u><u>\$7,825,369</u></u>	<u><u>\$56,432,883</u></u>	<u><u>\$13,547,833</u></u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$5,325,369	\$51,263,941	\$12,020,054
Restricted Cash and Cash Equivalents	<u>2,500,000</u>	<u>5,168,942</u>	<u>1,527,779</u>
Cash and Cash Equivalents at End of Year	<u><u>\$7,825,369</u></u>	<u><u>\$56,432,883</u></u>	<u><u>\$13,547,833</u></u>

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019***

	Wastewater	Totals	Governmental- Activities Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$13,300,770	\$130,034,686	\$11,659,980
Cash Payments for Goods and Services	(5,679,631)	(87,991,491)	(5,128,311)
Cash Payments to Employees	(2,262,680)	(18,929,766)	(6,192,556)
Net Cash Provided by Operating Activities	5,358,459	23,113,429	339,113
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	235,641	742,114	0
Kilowatt Hour Tax Received	0	2,375,056	0
Kilowatt Hour Tax Paid to State	0	(2,375,056)	0
Advances Out to Other Funds	0	0	(227,846)
Net Cash Provided (Used) by Noncapital Financing Activities	235,641	742,114	(227,846)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
General Obligation Bond Principal Retirement	(20,000)	(20,000)	0
Revenue Bond Proceeds	8,865,000	45,625,000	0
Premium on Debt Issuance	1,273,785	5,005,383	0
Discount on Debt Issuance	0	(170,575)	0
Revenue Bond Principal Retirement	(12,725,000)	(38,480,000)	0
OWDA Loan Proceeds	397,795	397,795	0
OPWC Loan Proceeds	0	1,394,902	0
OWDA Loan Principal Retirement	(35,838)	(71,676)	0
OPWC Loan Principal Retirement	(121,451)	(160,767)	0
Interest and Fiscal Charges	(2,336,741)	(6,376,031)	0
Acquisition and Construction of Assets	(1,136,837)	(13,206,966)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,839,287)	(6,062,935)	0
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	249,133	1,397,082	500
Net Cash Provided by Investing Activities	249,133	1,397,082	500
Net Increase in Cash and Cash Equivalents	3,946	19,189,690	111,767
Cash and Cash Equivalents at Beginning of Year	19,214,037	77,834,378	237,050
Cash and Cash Equivalents at End of Year	\$19,217,983	\$97,024,068	\$348,817
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$16,443,109	\$85,052,473	\$348,817
Restricted Cash and Cash Equivalents	2,774,874	11,971,595	0
Cash and Cash Equivalents at End of Year	\$19,217,983	\$97,024,068	\$348,817

(Continued)

CITY OF HAMILTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	\$305,996	\$347,281	(\$490,814)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided by Operating Activities:			
Depreciation Expense	2,059,407	6,880,834	3,276,085
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
(Increase) Decrease in Accounts Receivable	34,378	(1,051,658)	195,998
(Increase) Decrease in Inventory	2,754	110,438	(52,327)
Decrease in Prepaids	40,189	158,306	38,678
Increase in Deferred Outflows of Resources	(493,328)	(2,556,105)	(671,698)
Increase (Decrease) in Accounts Payable	(719,143)	(210,422)	104,541
Increase in Accrued Wages and Benefits	56,642	222,898	70,412
Increase (Decrease) in Customer Deposits Payable	(3,449)	113,439	12,179
Increase in Intergovernmental Payable	25,250	114,989	34,219
Increase (Decrease) in Compensated Absences	3,091	49,611	39,527
Increase in Net Pension Liability	1,369,004	7,480,160	1,894,633
Increase in Net OPEB Liability	280,770	1,685,694	352,949
Increase in Total OPEB Liability	35,141	35,141	35,141
Decrease in Deferred Inflows of Resources	(461,017)	(2,318,571)	(682,273)
Total Adjustments	2,229,689	10,714,754	4,648,064
Net Cash Provided by Operating Activities	\$2,535,685	\$11,062,035	\$4,157,250

Schedule of Noncash Investing, Capital, and Financing Activities:

At December 31, 2019 the Gas, Electric, Water, and Wastewater Funds had outstanding liabilities of \$28,444, \$309,294, \$285,645, and \$155,285, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Wastewater	Totals	Governmental- Activities Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	\$1,508,002	\$1,670,465	(\$1,271,374)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	3,122,058	15,338,384	9,036
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
(Increase) Decrease in Accounts Receivable	(153,756)	(975,038)	0
(Increase) Decrease in Inventory	(1,138)	59,727	8,907
Decrease in Prepays	50,490	287,663	0
Increase in Deferred Outflows of Resources	(481,949)	(4,203,080)	(1,121,203)
Increase (Decrease) in Accounts Payable	7,709	(817,315)	252,877
Increase in Accrued Wages and Benefits	59,210	409,162	116,700
Increase (Decrease) in Customer Deposits Payable	8,493	130,662	0
Increase in Intergovernmental Payable	25,722	200,180	50,157
Increase (Decrease) in Compensated Absences	39,091	131,320	(134,464)
Increase in Net Pension Liability	1,334,850	12,078,647	3,305,510
Increase in Net OPEB Liability	265,282	2,584,695	479,620
Increase in Total OPEB Liability	35,141	140,564	0
Decrease in Deferred Inflows of Resources	(460,746)	(3,922,607)	(1,356,653)
Total Adjustments	3,850,457	21,442,964	1,610,487
Net Cash Provided by Operating Activities	\$5,358,459	\$23,113,429	\$339,113

CITY OF HAMILTON, OHIO

Statement of Net Position
Fiduciary Funds
December 31, 2019

	<u>Custodial Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$ 587,665
Total Assets	<u>587,665</u>
Liabilities:	
Intergovernmental Payable	339,384
Due to Others	<u>2,079</u>
Total Liabilities	<u>341,463</u>
Net Position:	
Restricted For:	
Individuals and Other Governments	<u>246,202</u>
Total Net Position	<u>\$ 246,202</u>

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2019***

	<u>Custodial Funds</u>
Additions:	
Fines and Forfeiture Collections for Other Governments	\$ 2,150,432
Contributions Received for Others	6,466
Income Tax Collections for Other Governments	719,610
Receipt of Seized Property Held for Others	<u>87,219</u>
Total Additions	<u>2,963,727</u>
Deductions:	
Distribution of Fines and Forfeitures to Other Governments	2,150,432
Distribution of Contributions Received for Others	6,466
Distribution of Income Taxes to Other Governments	719,610
Distribution of Seized Property Held for Others	<u>97,001</u>
Total Deductions	<u>2,973,509</u>
Change in Net Position	(9,782)
Net Position at Beginning of Year - Restated	<u>255,984</u>
Net Position End of Year	<u>\$ 246,202</u>

See accompanying notes to the basic financial statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented as of December 31, 2019 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The City of Hamilton, Ohio (the City) is a home rule municipal corporation created under the auspices of the laws and constitution of the State of Ohio. The origins of the City date back as early as 1791. In 1803, the State of Ohio officially created Butler County and named the City as the county seat in 1810. Hamilton operates under a city charter adopted November 2, 1926 which became effective on January 1, 1928. The current charter, as amended, was adopted November 7, 2000 and became effective on January 1, 2001.

A seven-member council elected by voters of the City governs the City. The Mayor, who is separately elected, is recognized as the official head of the City for all ceremonial purposes. The City also elects a municipal court judge (the Judge) to preside over the proceedings of the Hamilton Municipal Court. The Judge is elected to a six-year term.

The City Council appoints the City Manager who serves as Chief Executive Officer and Director of Public Safety. He is charged with the proper administration of all city affairs. The City Manager appoints all Directors and the Deputy City Manager-Operations, to whom the various utility systems' directors report. The City Manager also appoints the Finance Director, who acts as the Chief Financial Officer, as well as, the Directors of Law, Planning, Economic Development, Public Works, Health, Information Technology, the Chiefs of Police and Fire, and the Directors of the Electric and Gas and Water Utilities. Ultimately, the City Manager retains the power to appoint and remove all department heads, subordinate staff and employees and exercises control over all departments.

The services provided under the direction of the City Manager as delegated to each of the subordinate Directors and their departments comprise the primary government unit of the City. They have therefore been included as part of the reporting entity. The funds, agencies, boards and commissions that are a part of the primary government include the following services: operation of a municipal court, police and fire protection, health, parks and recreation, street maintenance, and other governmental services. In addition, the City owns and operates a gas distribution system, electric generation facilities and distribution system, a water treatment and distribution system, a wastewater treatment and collection system, all of which are reported as enterprise funds (business type-major). The City also operates parking facilities, athletic facilities, and two golf courses, which are reported as special revenue funds (governmental – non-major).

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The reporting entity is composed of the primary government, component units and other organizations. The primary government includes all funds, organizations, activities and component units for which the City (the primary government) is financially accountable and that are not legally separate.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if it appoints a voting majority of the organization's governing board and either (1) the City is able to significantly influence the programs or services performed or provided by the organization, or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City reports one blended component unit and one discretely presented component unit.

Blended Component Unit - The City of Hamilton Health Department (the "Health Department") is a blended component unit of the City. The constitution and laws of the State of Ohio establish the rights and privileges of the Health Department as a body corporate and politic. A six-member Board and a Health Commissioner govern the Health Department. The Health Department's services include communicable disease investigations, immunization clinics, and inspections, and the Health Department issues health-related licenses and permits. Although it is legally separate from the City, the Health Department is reported as if it were part of the primary government. The City manager appoints the members of the Board. The City provides operating support and approves the budget. Complete financial statements can be obtained from the City of Hamilton Department of Finance.

Discretely Presented Component Unit - The component unit column on the government-wide financial statements includes the financial data of the City's discretely presented component unit, the Hamilton Community Authority (the "Authority").

The Authority is a community authority created pursuant to Chapter 349 of the Ohio Revised Code. The City of Hamilton, Ohio (the "Developer") filed a petition (the "Petition") for creation of the Authority with the Clerk of Council of the City of Hamilton, Ohio, and the petition was accepted with by Ordinance No. OR2017-5-62 of the City Council on May 24, 2017. The Petition, which may be subject to amendment or change, defines the boundaries of the Authority and allows the Authority to finance the costs of publicly owned and operated improvements and community facilities with Community Development Charges.

By its Ordinance, the City of Hamilton determined the Authority would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community as described in the Ohio Revised Code. The Authority thereby was organized as a body corporate and politic in the State. While the Authority was formed in 2017, no financial activity occurred until the issuance of bonds in March 2019.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

By law, the Authority is governed by a seven-member board of trustees. At inception, the City Council of the City of Hamilton, Ohio appointed four of the trustees and the remaining three trustees were appointed by the Developer. The Authority is included as a component unit of the City due to the fact that the City appoints a voting majority of the Authority board, and the City has influence over the projects and activities of the Authority. Complete financial statements can be obtained from the City of Hamilton Department of Finance. See note 22.

The City participates in four governmental joint ventures: three Hamilton-Indian Springs Joint Economic Development Districts (JEDD), the Ohio Municipal Electric Generation Agency (OMEGA) JV2, and the Meldahl Hydroelectric Project. The City also participates in the following jointly governed organizations: American Municipal Power (AMP) Inc., the Transportation Improvement District (TID) of Butler County, the Butler County Emergency Management Agency (EMA), the Hamilton Community Improvement Corporation (CIC), the Hamilton Economic Development Corporation (HEDC), and the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). These organizations are presented in Note 19 and Note 20 to the basic financial statements and are excluded from the accompanying financial statements except as noted.

As a custodian of public funds, the City invests all public monies held on deposit in the City Treasury. In the case of the Hamilton-Indian Springs Joint Economic Development Districts (the "JEDD"), a legally separate district, the City serves as fiscal agent but the organization is not considered a part of the City. The JEDD has a five-member board of trustees for which the City appoints one member and for which the City is not financially accountable. The JEDD was formed under the auspices of Ohio Revised Code Charter 715 to facilitate commercial and economic development within a specific territory completely located within the boundaries of then Indian Springs, now Fairfield Township. The JEDD has levied an income tax equal to the income tax rate charged within the City of Hamilton (2%) on all compensation earned by employees working in the JEDD. Income tax collections net of collection expenses and refunds are first applied to District operating expenses in accordance with the District's Budget, then to any long-term maintenance set aside, with any surplus to be paid to Hamilton and Fairfield Township according to contractual percentages. The JEDD is a joint venture of the City, which is more fully explained in Note 19 to the basic financial statements. Accordingly, the activity of the JEDD is presented as a custodial fund (fiduciary) within the City's financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The following fund types are used by the City:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Health Department Fund - This fund is used to account for the activities of the health department, which are funded by contributions from the general fund, charges for services, and grants.

Debt Service Fund - This fund is used to account for resources that are used for payment of principal, interest, and fiscal charges on general obligation debt.

This Space Intentionally Left Blank

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Gas Fund – To account for the operation of the City's gas service.

Electric Fund – To account for the operation of the City's electric service.

Water Fund – To account for the operation of the City's water system.

Wastewater Fund – To account for the operation of the City's wastewater system.

Internal Service Funds – These funds are used to account for fleet management services and costs of certain goods or services provided to other departments or agencies of the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: custodial funds, pension trust funds, investment trust funds, and private-purpose trust funds. The City has five custodial funds. The Rounding Up Utility Account Fund is used to account for voluntary contributions from citizens and/or organizations within the City to assist elderly, needy and disabled utility customers with utility charges incurred. The Butler County Annexation Tax Fund is used to account for income taxes obtained from a special annexation of contiguous property to Hamilton. The Joint Economic Development District (JEDD) Fund is used to account for the receipt and disbursement of income tax revenue pursuant to Section 11 of the Joint Economic Development District Agreement with Indian Springs/Fairfield Township, the 2004 Joint Economic Development District Agreement with Indian Springs/Fairfield Township, and Section 5 of the 2017 amendment to the Hamilton-Indian Springs Joint Economic Development District Contract with Fairfield Township. The Municipal Court Fund accounts for funds that flow through the municipal court office.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds (Continued)

The Police Property Room Fund is used to account for the receipt of items remaining in the custody of the police department (the City will hold the items for a certain period of time at which they will be auctioned or disposed). Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City currently has no trust funds.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. These balances appear as internal balances on the statement of net position. Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Position. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

This Space Intentionally Left Blank

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

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

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Licenses, permits, charges for services and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, 2019, are recorded as deferred inflows of resources. Property taxes, which are measurable at December 31, 2019 but are not intended to finance 2019 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 6.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than custodial funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund, department and object level. Budgetary modifications may be made only by ordinance of the City Council.

1. Tax Budget

The Director of Finance submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2019.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

As required by charter, an annual appropriation ordinance must be adopted prior to the beginning of the fiscal year. The appropriation ordinance establishes spending controls at the fund, department and object level, the legal level of control. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. During the year, several supplemental appropriations were necessary to budget contingency funds, intergovernmental grants and proceeds of debt issues. The allocation of appropriations among departments and objects within a fund may be modified during the year by management. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual for the General Fund and Major Special Revenue Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrance

As part of formal budgetary controls, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis.

CITY OF HAMILTON, OHIO

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary cash basis statement for the General Fund and Major Special Revenue Fund:

	Net Change in Fund Balance	
	General Fund	Health Department Fund
GAAP Basis (as reported)	\$572,702	(\$75)
Increase (Decrease):		
Accrued Revenues at December 31, 2019 received during 2020	(7,615,595)	(24)
Accrued Revenues at December 31, 2018 received during 2019	5,219,924	703
Accrued Expenditures at December 31, 2019 paid during 2020	4,435,803	0
Accrued Expenditures at December 31, 2018 paid during 2019	(2,218,863)	(1,639)
2018 Prepays for 2019	211,586	0
2019 Prepays for 2020	(137,570)	0
Outstanding Encumbrances	(701,166)	0
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	197,231	0
Budget Basis	(\$35,948)	(\$1,035)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and short-term securities with original maturities of three months or less. STAR Ohio is considered a cash equivalent because it is a highly liquid investment. See Note 5, "Cash, Cash Equivalents and Investments."

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

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. See Note 5, "Cash, Cash Equivalents and Investments".

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their 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. For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

H. Inventory

Inventories are stated at moving average cost. The costs of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. The costs of proprietary fund inventories are recorded as expenses when consumed rather than when purchased.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	40
Improvements Other than Buildings	40
Machinery, Equipment, Furniture and Fixtures	5 – 10
Infrastructure	25 – 75
Intangible Assets – FERC License	50

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

Obligation	Fund
General Obligation/Income Tax Revenue Bonds	Debt Service Fund, Parking Fund Golf Course Fund, Wastewater Fund
OWDA/OPWC Loans	Water Fund, Wastewater Fund, Stormwater Management Fund
Special Assessment Bonds	Debt Service Fund
Revenue Bonds	Gas Fund, Electric Fund, Water Fund Wastewater Fund
Capital Lease Payable	General Fund
Long Term Notes	Debt Service Fund
Total OPEB Liability	General Fund, Gas Fund, Electric Fund, Water Fund, Wastewater Fund
Compensated Absences/Net Pension Liability/Net OPEB Liability	General Fund, Safety Services Fund, Refuse Fund, Street Maintenance Fund Community Development Block Grant Fund Gas Fund, Electric Fund, Water Fund Wastewater Fund, Parking Fund Golf Course Fund, Fleet Maintenance Fund Central Services Fund

L. Compensated Absences

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or under ordinance. Vacation earned in a calendar year must be used during that year. Vacation time cannot carry over into the subsequent year, unless written permission is granted from the City Manager. At termination or retirement, employees are paid at their then full rate for 100% of their unused vacation leave.

The rate of cash compensation for sick leave payout varies within specified limits under collective bargaining agreements or City ordinance. Employees hired before 1990 are paid 75% of the accumulated sick time upon retirement or death up to a maximum of 1,200 hours for employees whose normal work schedule is 40 hours per week, and up to 1,680 hours for those working a 51 hour week. Those individuals that commenced employment on or after January 1, 1990, will be paid 50%, and those individuals that commenced employment on or after January 1, 1994 will be paid 25% of the accumulated sick leave upon death or retirement. Compensation for sick leave is paid at the employee's then full rate of pay at the time of termination or retirement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the Government-wide Statements under Long-term Liabilities.

M. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. The elimination of the internal service funds is based on the activity of each fund to which it provides service.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City has no formal policy authorizing a body or official to assign amounts for specific purposes.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

In 2012, City Council enacted Budget and Financial Policies (R2012-6-25), which requires the maintenance of a minimum General Fund Balance (reserve) of 10-16% of annual expenditures. If the General Fund reserve rises above 16% of General Fund revenue at fiscal year end, the amount over 16% will be swept into the Economic Development Capital Projects Fund and/or the Economic Budget Stabilization Fund, which can be expended only through special action by City Council. At December 31, 2019, the balance in the Economic Budget Stabilization Fund was \$1,704,585 and is reported in unassigned fund balance.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited to debt service payments and rate stabilization. Restricted cash in the General Fund represents resources set aside for the payment of health insurance claims.

R. Operating Revenues and Expenses

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

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows for the deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding is reported in the government-wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 11 and 12.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources (Continued)

In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 11 and 12.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

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

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

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.

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

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

The implementation of GASB 84 had the following effect on fund balance/net position as reported December 31, 2018:

	Governmental Activities	General Fund	Other Governmental Funds	Total Governmental Funds	Custodial Funds
Fund Balance/Net Position at December 31, 2018	\$1,946,451	\$16,441,877	\$4,125,395	\$20,582,433	\$0
Adjustments:					
GASB Statement 84 Fund Reclassification	154,279	28,272	126,007	154,279	255,984
Restated Fund Balance/Net Position at December 31, 2018	<u>\$2,100,730</u>	<u>\$16,470,149</u>	<u>\$4,251,402</u>	<u>\$20,736,712</u>	<u>\$255,984</u>

CITY OF HAMILTON, OHIO

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

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

Fund Balances	General Fund	Health Department Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$59,011	\$0	\$0	\$33,161	\$92,172
Prepaid Items	137,570	0	0	26,866	164,436
Unclaimed Funds	32,251	0	0	0	32,251
Permanent Fund Corpus	0	0	0	75,000	75,000
Total Nonspendable	228,832	0	0	135,027	363,859
Restricted:					
Public Safety	0	0	0	1,213,366	1,213,366
Public Health	0	9,641	0	0	9,641
County Court Computer Improvements	0	0	0	420,830	420,830
Dispute Resolution	0	0	0	37,720	37,720
Law Enforcement	0	0	0	1,661,952	1,661,952
Street Maintenance	0	0	0	1,361,892	1,361,892
Community Development	0	0	0	337,169	337,169
Fire Insurance Deposits	0	0	0	146,504	146,504
Capital Improvements	0	0	0	968,675	968,675
Total Restricted	0	9,641	0	6,148,108	6,157,749
Committed:					
Stormwater Operations	0	0	0	1,459,377	1,459,377
Refuse Operations	0	0	0	1,644,404	1,644,404
Parking Operations	0	0	0	41,120	41,120
Golf Course Operations	0	0	0	237,629	237,629
Total Committed	0	0	0	3,382,530	3,382,530
Assigned:					
Debt Retirement	0	0	3,869	0	3,869
Capital Improvements	0	0	0	14,355,360	14,355,360
Services and Supplies	227,967	0	0	0	227,967
Worker's Compensation	2,464,254	0	0	0	2,464,254
Budget Resource	431,020	0	0	0	431,020
Total Assigned	3,123,241	0	3,869	14,355,360	17,482,470
Unassigned (Deficits):	13,689,068	0	0	(650,864)	13,038,204
Total Fund Balances	\$17,041,141	\$9,641	\$3,869	\$23,370,161	\$40,424,812

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

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities – The following funds had deficit fund balance/net position amounts at December 31, 2019:

Fund	Fund Balance/ Net Position Deficit
<i>Nonmajor Governmental Funds</i>	
<i>Capital Projects Funds:</i>	
Special Assessment Fund	\$650,864
<i>Internal Service Funds</i>	
Fleet Maintenance	\$1,515,600
Central Services	9,117,689

The deficit occurring in the Special Assessment Fund is due to interfund payables reported in the fund. As cash is received and the payables liquidated, the deficits will be eliminated.

The deficits in the Fleet Maintenance Fund and Central Services Fund have occurred due to recognition of liabilities at year-end. The Internal Service Funds operate as a rotary fund and cash is recognized as revenue operationally only after an actual expense is made. These deficits will be eliminated by future charges for services. A portion of these deficits are the result of accounting for the net pension/OPEB liability for which there is no repayment schedule.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

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

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

CITY OF HAMILTON, OHIO

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

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial credit risk policy.

As of December 31, 2019, \$13,574,673 of the City's bank balance of \$14,329,673 was exposed to custodial credit risk since it was uninsured and collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2019 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration of Credit Risk	Investment Maturities (in Years)		
					less than 1	1-3	3-5
Money Market Mutual Fund ²	\$2,537,449	AA+ ¹	NA	2.21%	\$2,537,449	\$0	\$0
Marketable CDs	7,043,614	AAA ³	Level 2	6.15%	0	4,256,225	2,787,389
Commercial Paper	6,747,718	A-1 ¹	Level 2	5.89%	6,747,718	0	0
STAR Ohio ²	41,968,955	AAAm ¹	NA	36.62%	41,968,955	0	0
FNMA	6,502,532	AA+ ¹	Level 2	5.67%	4,993,030	1,509,502	0
FFCB	15,444,161	AA+ ¹	Level 2	13.48%	1,496,955	9,565,189	4,382,017
FHLB	7,499,053	AA+ ¹	Level 2	6.54%	3,050,946	2,690,107	1,758,000
FHLMC	19,224,965	AA+ ¹	Level 2	16.78%	4,273,059	6,858,285	8,093,621
US Treasury Notes	7,626,453	AA+ ¹	Level 1	6.66%	2,769,494	3,865,279	991,680
Total Investments	<u>\$114,594,900</u>			<u>100.00%</u>	<u>\$67,837,606</u>	<u>\$28,744,587</u>	<u>\$18,012,707</u>

¹ Standard & Poor's

² Reported at amortized cost

³ All are fully FDIC insured and therefore have an implied AAA credit rating

Custodial Credit Risk

The risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within this policy and as a means of mitigating this risk.

Interest Rate Risk

The risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the "prudent investor" rule to attempt to limit such risk.

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

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk

It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has several investment categories that are above the five percent threshold as detailed above.

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. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Level 2 inputs are significant other observable inputs. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

C. Benninghofen Trust

The Benninghofen Trust Fund reports the endowment bequeathed to the City from the estate of Christian Benninghofen. The endowment is to be held permanently by the City and invested and reinvested in bonds issued by the United States, the State of Ohio, or any County, as well as municipal bonds issued by such subdivisions with the State of Ohio. Earnings from the endowment are to be used for the purpose of assisting and aiding the needy poor of the City. The City disburses earnings from the endowment quarterly.

This Space Intentionally Left Blank

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

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2019 were levied after October 1, 2018 on assessed values as of January 1, 2018, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reevaluated every six years and equalization adjustments made in the third year following the reappraisal. The last revaluation was completed for tax year 2017. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Hamilton. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for the City's operations for the year ended December 31, 2019 was \$6.81 per \$1,000 of assessed value. The assessed value upon which the 2019 receipts were based was \$793,855,500. This amount constitutes \$788,116,750 in real property assessed value and \$5,738,750 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.681% (6.81 mills) of assessed value.

Real Estate Tax Abatement

Pursuant to Ohio Revised Code Chapter 5709, the City established an Enterprise Zone Abatement Program. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Enterprise Zone gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

CITY OF HAMILTON, OHIO

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

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

The City has offered the Enterprise Zone abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is the amount of taxes abated for the Enterprise Zone Program for the year ending December 31, 2019.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated For the year 2019</u>
<i>Enterprise Zone</i>	
Ansari Properties	\$2,866
Bethesda Hospital and Duke Realty	249,555
Concord Hamiltonian Riverfront	47,632
Interstate Warehousing	58,299
Livingston Tyler Products	4,672
M.A. Folkes Company	50,245
Matandy Steel and Metal Products	17,629
Neturen America Corporation	30,352
Thyssenkrupp Bilstein	47,468
Synergy Flavors OH	23,196
United Performance Metals	7,410
Vinylmax, LLC	58,217
YAC Robot Systems	1,814
	<u>\$599,355</u>

B. Income Tax

The City levies a tax of 2.00% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of 2.00% of taxable salaries, wages, commissions and other compensation.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All City residents are required to file a municipal income tax return annually regardless of whether tax is owed.

CITY OF HAMILTON, OHIO

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

NOTE 6 - TAXES (Continued)

B. Income Tax (Continued)

Income Tax Abatement

The City created the Job Creation and Tax Credit Program to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code 718 and the applicable City ordinance, the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. The time period of the incentive in years, is determined by how many new jobs are created by the company. The tax abatement incentive to a new business or expanding business with new payroll is at a percentage of up to 60% of income tax paid on new payroll for a period of 3 to 10 years.

For the year ending December 31, 2019, no income taxes were abated by the City.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2019 consisted of taxes, accounts receivable, accrued interest, loans receivable, interfund receivables, and intergovernmental (due from other governments) receivables arising from shared revenues. These receivables result from both exchange and non-exchange transactions.

Business-type receivables at December 31, 2019, are presented net of allowances for doubtful accounts. To better detail the accounts receivable balances in the Business-type Funds, the following schedule identifies and reconciles these amounts as of December 31, 2019 as follows:

Accounts Receivable					Total
As of December 31, 2019	Gas	Electric	Water	Wastewater	Business-Type Activities
Earned and unbilled consumer accounts	\$1,996,270	\$4,795,645	\$962,742	\$791,303	\$8,545,960
Earned and billed consumer accounts	3,815,430	8,270,920	1,395,153	2,109,420	15,590,923
Less allowance for uncollectible accounts	(2,379,673)	(4,862,603)	(797,882)	(1,214,865)	(9,255,023)
Other	0	569,829	27,791	7,598	605,218
Accounts Receivable	<u>3,432,027</u>	<u>8,773,791</u>	<u>1,587,804</u>	<u>1,693,456</u>	<u>15,487,078</u>
Accrued Interest Receivable	15,464	149,935	34,996	48,236	248,631
Total Receivables	<u>\$3,447,491</u>	<u>\$8,923,726</u>	<u>\$1,622,800</u>	<u>\$1,741,692</u>	<u>\$15,735,709</u>

CITY OF HAMILTON, OHIO

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

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2019:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$0	\$2,131,339
Health Department Fund	806,017	0
Debt Service Fund	3,798,043	1,119,742
Other Governmental Funds	2,930,339	4,283,318
Totals	\$7,534,399	\$7,534,399

The City makes transfers between various funds during the year for operating and debt service related payments. The individual governmental funds transfer their portion of the debt service payment during the year into the Debt Service Fund for payment of obligations and some transfers are made from the General Fund at year-end to eliminate deficit balances. In 2019 the General Fund, Street Maintenance Fund, and Municipal Improvement Tax Increment Equivalent Fund transferred \$778,298, \$425,000, and \$301,752, respectively, to the Infrastructure Program Fund for various infrastructure improvement projects. In addition, the General Fund transferred \$806,017 to the Health Department Fund for general operating support.

NOTE 9 – INTERFUND TRANSACTIONS

The composition of inter-fund balances as of December 31, 2019, is as follows:

	Interfund Receivable	Interfund Payable	Due from Other Funds	Due to Other Funds
General Fund	\$942,000	\$0	\$3,082	\$0
Other Governmental Funds	0	942,000	0	3,082
	\$942,000	\$942,000	\$3,082	\$3,082

The due from other funds for the General Fund is monies where the General Fund serves as a participant in the activity for the City. All monies due between funds are expected to be paid/received within the next fiscal year.

\$942,000 of the interfund activity relates to cash advances the General Fund made to the Special Assessment Fund. The advances are expected to be returned within the next fiscal year.

This Space Intentionally Left Blank

CITY OF HAMILTON, OHIO

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

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

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

Historical Cost:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
<i>Capital assets not being depreciated:</i>				
Land	\$19,937,050	\$0	\$0	\$19,937,050
Construction in Progress	27,977,972	5,046,127	(86,379)	32,937,720
Sub-Total	47,915,022	5,046,127	(86,379)	52,874,770
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	46,006,559	118,975	0	46,125,534
Machinery and Equipment	30,427,047	1,994,781	(398,221)	32,023,607
Infrastructure	167,458,924	0	0	167,458,924
Total Cost	<u>\$291,807,552</u>	<u>\$7,159,883</u>	<u>(\$484,600)</u>	<u>\$298,482,835</u>

Accumulated Depreciation:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
Buildings and Improvements	(\$20,731,427)	(\$990,572)	\$0	(\$21,721,999)
Machinery and Equipment	(23,273,128)	(986,188)	398,221	(23,861,095)
Infrastructure	(135,829,947)	(1,734,472)	0	(137,564,419)
Total Depreciation	<u>(\$179,834,502)</u>	<u>(\$3,711,232) *</u>	<u>\$398,221</u>	<u>(\$183,147,513)</u>
<i>Net Value:</i>	<u>\$111,973,050</u>			<u>\$115,335,322</u>

*Depreciation was charged to governmental functions as follows:

General Government	\$605,785
Security of Persons and Property	515,413
Leisure Time Activities	325,309
Community Environment	3,221
Transportation	2,258,283
Public Health and Welfare Services	3,221
Total Depreciation Expense	<u>\$3,711,232</u>

CITY OF HAMILTON, OHIO

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

NOTE 10 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category at December 31, 2019:

Historical Cost:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
<i>Capital assets not being depreciated:</i>				
Land	\$7,908,794	\$0	\$0	\$7,908,794
Construction in Progress	33,054,026	5,870,191	(5,696,344)	33,227,873
Sub-Total	40,962,820	5,870,191	(5,696,344)	41,136,667
<i>Capital assets being depreciated:</i>				
Intangible Capital Assets	1,070,786	0	0	1,070,786
Buildings and Improvements	131,658,351	666,177	0	132,324,528
Machinery and Equipment	658,004,491	12,276,937	(1,157,629)	669,123,799
Total Cost	<u>\$831,696,448</u>	<u>\$18,813,305</u>	<u>(\$6,853,973)</u>	<u>\$843,655,780</u>

Accumulated Depreciation:

Class	December 31, 2018	Additions	Deletions	December 31, 2019
Intangible Capital Assets	(\$235,576)	(\$21,416)	\$0	(\$256,992)
Buildings and Improvements	(71,492,742)	(2,081,548)	0	(73,574,290)
Machinery and Equipment	(450,797,804)	(13,235,420)	1,025,178	(463,008,046)
Total Depreciation	<u>(\$522,526,122)</u>	<u>(\$15,338,384)</u>	<u>\$1,025,178</u>	<u>(\$536,839,328)</u>
<i>Net Value:</i>	<u>\$309,170,326</u>			<u>\$306,816,452</u>

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member’s FAS for the first 30 years of service.

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$3,804,802 for 2019. Of this amount, \$111,321 is reported as an intergovernmental payable.

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

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

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

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

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

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

CITY OF HAMILTON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2019 through December 31, 2019	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2019 through December 31, 2019	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$3,544,582 for 2019. Of this amount, \$111,945 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$52,848,657	\$57,872,890	\$110,721,547
Proportion of the Net Pension Liability-2019	0.192963%	0.708997%	
Proportion of the Net Pension Liability-2018	0.194154%	0.711449%	
Percentage Change	(0.001191%)	(0.002452%)	
Pension Expense	\$12,109,649	\$7,519,989	\$19,629,638

CITY OF HAMILTON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$4,600,604	\$1,534,288	\$6,134,892
Differences between expected and actual experience	2,439	2,377,766	2,380,205
Net difference between projected and actual earnings on pension plan investments	7,173,042	7,129,891	14,302,933
Change in proportionate share	667,022	1,426,780	2,093,802
City contributions subsequent to the measurement date	<u>3,804,802</u>	<u>3,544,582</u>	<u>7,349,384</u>
Total Deferred Outflows of Resources	<u>\$16,247,909</u>	<u>\$16,013,307</u>	<u>\$32,261,216</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$693,926	\$54,041	\$747,967
Change in proportionate share	<u>0</u>	<u>1,633,487</u>	<u>1,633,487</u>
Total Deferred Inflows of Resources	<u>\$693,926</u>	<u>\$1,687,528</u>	<u>\$2,381,454</u>

\$7,349,384 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$5,434,047	\$3,226,745	\$8,660,792
2021	2,313,689	1,667,651	3,981,340
2022	665,447	2,197,431	2,862,878
2023	3,335,998	3,447,376	6,783,374
2024	<u>0</u>	<u>241,994</u>	<u>241,994</u>
Total	<u>\$11,749,181</u>	<u>\$10,781,197</u>	<u>\$22,530,378</u>

Actuarial Assumptions - OPERS

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

CITY OF HAMILTON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018 and December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2017
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

CITY OF HAMILTON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$78,072,830	\$52,848,657	\$31,887,136

CITY OF HAMILTON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

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

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2018, compared with January 1, 2017, are presented below.

	January 1, 2018	January 1, 2017
Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2018 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the 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

For the January 1, 2018 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF HAMILTON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

CITY OF HAMILTON, OHIO

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

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2018, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2017 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$76,069,925	\$57,872,890	\$42,666,638

This Space Intentionally Left Blank

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System and Ohio Police & Fire Pension Fund reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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

The City's contractually required contribution to OP&F was \$83,850 for 2019. Of this amount, \$2,639 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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

CITY OF HAMILTON, OHIO

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of the Net OPEB Liability	\$25,482,589	\$6,456,505	\$31,939,094
Proportion of the Net OPEB Liability-2019	0.195454%	0.708997%	
Proportion of the Net OPEB Liability-2018	0.196423%	0.711449%	
Percentage Change	<u>(0.000969%)</u>	<u>(0.002452%)</u>	
OPEB Expense	\$2,602,689	(\$31,641,576)	(\$29,038,887)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes in assumptions	\$821,589	\$3,346,742	\$4,168,331
Differences between expected and actual experience	8,629	0	8,629
Net difference between projected and actual earnings on OPEB plan investments	1,168,230	218,556	1,386,786
Change in proportionate share	435,334	1,299,756	1,735,090
City contributions subsequent to the measurement date	0	83,850	83,850
Total Deferred Outflows of Resources	<u>\$2,433,782</u>	<u>\$4,948,904</u>	<u>\$7,382,686</u>
Deferred Inflows of Resources			
Changes in assumptions	\$0	\$1,787,467	\$1,787,467
Differences between expected and actual experience	69,142	172,983	242,125
Change in proportionate share	0	462,046	462,046
Total Deferred Inflows of Resources	<u>\$69,142</u>	<u>\$2,422,496</u>	<u>\$2,491,638</u>

\$83,850 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	\$1,312,164	\$430,727	\$1,742,891
2021	271,532	430,727	702,259
2022	192,427	430,724	623,151
2023	588,517	496,830	1,085,347
2024	0	392,613	392,613
2025	0	279,719	279,719
2026	0	(18,782)	(18,782)
Total	<u>\$2,364,640</u>	<u>\$2,442,558</u>	<u>\$4,807,198</u>

CITY OF HAMILTON, OHIO

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Actuarial Assumptions - OPERS

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

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.50 percent
Municipal Bond Rate:	
Current measurement date	3.71 percent
Prior Measurement date	3.31 percent
Health Care Cost Trend Rate:	
Current measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement date	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

CITY OF HAMILTON, OHIO

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

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

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

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

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

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$32,601,727	\$25,482,589	\$19,820,990

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

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

CITY OF HAMILTON, OHIO

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$24,494,295	\$25,482,589	\$26,620,835

Actuarial Assumptions – OP&F

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

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	4.66 percent	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

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

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

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the 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 prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

CITY OF HAMILTON, OHIO

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

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

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent.

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

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$7,865,786	\$6,456,505	\$5,273,536

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Retiree Life Insurance Plan

Total OPEB Liability

The Total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description

Plan Description – The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under the Public Employees Retirement System, Ohio Police and Fire Pension Fund, or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy – Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The City’s contractually required contribution was \$86,291 for 2019.

At December 31, 2019 the number of active participants was 591 and the number of retirees was 650.

The City’s Retiree Life Insurance plan has no assets.

CITY OF HAMILTON, OHIO

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Retiree Life Insurance Plan (Continued)

Changes in the Total OPEB Liability, OPEB expense, Deferred Outflows of Resources and Deferred Inflows of Resources

The Total OPEB liability for the Retiree Life Insurance plan was determined by an actuarial valuation as of December 31, 2019. Following is information related to changes in the Total OPEB liability:

	Changes in Total OPEB Liability
Total OPEB Liability 12/31/18	\$1,327,255
Service cost	14,686
Interest	48,811
Difference between expected and actual experience	31,916
Changes of assumptions	166,583
Benefit payments	(86,291)
Total OPEB Liability 12/31/19	\$1,502,960
Retiree Life Insurance Plan OPEB expense	\$10,390

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Retiree Life Insurance Plan</u>		
Changes in assumptions	\$131,879	\$32,390
Differences between expected and actual experience	36,421	0
Total	\$168,300	\$32,390

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance Plan will be recognized in OPEB expense as follows:

Year Ending December 31:	
2020	\$33,185
2021	33,185
2022	36,453
2023	33,087
Total	\$135,910

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

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Retiree Life Insurance Plan (Continued)

Actuarial Assumptions

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.

The total OPEB liability was determined by an actuarial valuation as 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:

Single Discount Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.80 percent
Actuarial Cost Method	Entry Age Normal

Mortality Rates:	
Non-Disabled	Pri-2012
Retired	Pri-2012 Retiree
Disabled	Pri-2012 Disabled Retiree
Weighting	Amount-weighted
Future Improvement	Projected generationally using Scale MP-2019

The most recent experience study was completed for the five year period ended December 31, 2018.

Discount Rate A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. Because the Retiree Life Insurance Plan is not funded, the discount rate is based on a 20-year tax exempt municipal bond rate based on published indices.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate The following table presents the Retiree Life Insurance Plan total OPEB liability calculated using the single discount rate of 2.75 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.75 percent) or one-percentage-point higher (3.75 percent) than the current rate:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$1,705,906	\$1,502,960	\$1,336,791

CITY OF HAMILTON, OHIO

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

NOTE 13 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

	December 31, 2018	Issued	(Retired)	December 31, 2019
Capital Project Funds Notes Payable:				
3.24% Property Improvement	\$1,100,000	\$0	(\$1,100,000)	\$0
2.75% Various Purpose	4,880,000	0	(4,880,000)	0
Total Notes Payable	<u>\$5,980,000</u>	<u>\$0</u>	<u>(\$5,980,000)</u>	<u>\$0</u>

This space intentionally left blank.

CITY OF HAMILTON, OHIO

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

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2019 were as follows:

Issue Date	Interest Rate	Description	Maturity Date	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Governmental Activities Debt:								
Bonds payable:								
General Obligation Bonds:								
2009	2.5% - 4.50%	Various Purpose 2009 G O Bonds	2028	\$2,620,000	\$0	(\$440,000)	\$2,180,000	\$460,000
2018	2.6% - 4.00%	Various Purpose	2048	10,470,000	0	(210,000)	10,260,000	220,000
2018	3.50%	Property Improvement	2021	1,000,000	0	0	1,000,000	0
Total General Obligation Bonds				14,090,000	0	(650,000)	13,440,000	680,000
Income Tax Revenue Bonds:*								
2017	3.00%	Various Purpose Refunding	2035	8,365,990	0	(386,071)	7,979,919	399,831
2017	3.00%	Various Purpose	2035	1,002,860	0	(170,753)	832,107	175,060
2017	2.39%	Various Purpose Refunding	2026	11,546,488	0	(10,092,905)	1,453,583	194,661
Total Income Tax Revenue Bonds				20,915,338	0	(10,649,729)	10,265,609	769,552
Special Assessment Bonds:								
2003	5.25%	Shaffer's Creek Sanitary Sewer	2022	60,000	0	(10,000)	50,000	10,000
2000	5.74-5.8%	Various Purpose Series 2000	2020	50,000	0	(25,000)	25,000	25,000
2001	6.00%	Various Purpose Series 2001	2021	195,000	0	(60,000)	135,000	65,000
Total Special Assessment Bonds (with Governmental Commitment)				305,000	0	(95,000)	210,000	100,000
Issuance Discounts/Premiums				(32,627)	0	(5,144)	(37,771)	0
Total Bonds Payable				35,277,711	0	(11,399,873)	23,877,838	1,549,552
Ohio Water Development Authority Loan Payable:*								
2016	2.13%	South Hamilton Road Storm Water	2049	3,286,599	92,286	(47,178)	3,331,707	95,360
Long Term Notes:								
2019	2.42%	Various Purpose	2020	0	3,893,340	0	3,893,340	3,893,340
Governmental Activities Other Long-Term Obligations:								
Capital Leases				0	24,860,000	(525,000)	24,335,000	465,000
Compensated absences				4,982,729	1,871,552	(2,134,215)	4,720,066	2,189,253
Governmental Activities Debt and Other Long-Term Obligations				\$43,547,039	\$30,717,178	(\$14,106,266)	\$60,157,951	\$8,192,505

*The Income Tax Revenue Bonds and Ohio Water Development Authority Loan are direct placement and direct borrowing debt, respectively.

The principal amount of the City's special assessment bonds outstanding was \$210,000. The special assessments issued are for non-capital related repairs to sidewalks, streets, etc. Special assessment bonds are general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

CITY OF HAMILTON, OHIO

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

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Outstanding general obligation bonds are direct obligations of the City for which the full faith and credit of City resources are pledged. Outstanding revenue bonds totaled \$114,770,000 at December 31, 2019.

Issue Date	Interest Rate	Description	Maturity Date	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Business-Type Activities Debt:								
Mortgage Revenue Bonds:								
2017	2.23%	Gas Refunding	2027	\$5,245,000	\$0	(\$530,000)	\$4,715,000	\$545,000
2018	3.80%	Gas Improvements	2038	1,720,000	0	(55,000)	1,665,000	60,000
2009	2.5% - 5.0%	Electric series A	2019	920,000	0	(920,000)	0	0
2009	6.5% - 6.6%	Electric series B	2039	14,520,000	0	(14,520,000)	0	0
2018	3.0% - 5.0%	Electric Refunding	2030	12,580,000	0	0	12,580,000	890,000
2019	3.0% - 5.0%	Electric Refunding	2039	0	11,285,000	0	11,285,000	105,000
2019	3.0% - 5.0%	Electric Improvements	2049	0	15,600,000	0	15,600,000	215,000
2009	2.5% - 4.63%	Water series A	2029	460,000	0	(460,000)	0	0
2009	6.62%	Water series B	2039	8,915,000	0	(8,915,000)	0	0
2015	2.0% - 5.0%	Water Refunding	2044	10,890,000	0	(300,000)	10,590,000	305,000
2018	4.00%	Water Refunding	2029	5,625,000	0	0	5,625,000	470,000
2018	3.0% - 4.0%	Water Improvements	2048	2,965,000	0	(55,000)	2,910,000	60,000
2019	3.0% - 4.0%	Water Refunding	2039	0	8,075,000	0	8,075,000	50,000
2019	3.0% - 4.0%	Water Improvements	2049	0	1,800,000	0	1,800,000	30,000
2009	6.11% - 6.62%	Wastewater series B	2039	11,170,000	0	(11,170,000)	0	0
2016	1.75% - 5.0%	Wastewater Refunding	2026	7,900,000	0	(840,000)	7,060,000	875,000
2018	2.0% - 5.0%	Wastewater Refunding	2041	24,715,000	0	(715,000)	24,000,000	735,000
2019	3.0% - 5.0%	Wastewater Refunding	2039	0	8,865,000	0	8,865,000	295,000
				<u>107,625,000</u>	<u>45,625,000</u>	<u>(38,480,000)</u>	<u>114,770,000</u>	<u>4,635,000</u>
		Issuance Discounts/Premiums		<u>3,733,507</u>	<u>4,834,808</u>	<u>(334,303)</u>	<u>8,234,012</u>	<u>0</u>
		Total Mortgage Revenue Bonds		<u>111,358,507</u>	<u>50,459,808</u>	<u>(38,814,303)</u>	<u>123,004,012</u>	<u>4,635,000</u>
General Obligation Bonds:								
2018	2.6% - 4.0%	Wastewater Improvements	2038	555,000	0	(20,000)	535,000	20,000
Ohio Water Development Authority Loans:*								
2010	3.25%	Sanitary Sewer Improvements	2030	291,531	0	(20,221)	271,310	20,884
2016	1.33%	River Road Water Main	2037	886,098	0	(35,838)	850,260	42,103
2018	2.22%	Sanitary Sewer Improvements	2049	690,409	397,795	(15,617)	1,072,587	15,790
		Total Ohio Water Development Authority Loans		<u>1,868,038</u>	<u>397,795</u>	<u>(71,676)</u>	<u>2,194,157</u>	<u>78,777</u>
Ohio Public Works Commission Loans:*								
2016	0.00%	Gilmore Road Pump Station I	2049	3,234,961	0	(107,832)	3,127,129	53,916
2016	0.00%	Pershing Avenue Water Main	2048	724,943	0	(24,998)	699,945	12,499
2017	0.00%	State Route 4 Water Main	2049	429,525	0	(14,318)	415,207	7,159
2017	0.00%	Arlington Avenue Water Main	2049	556,485	34,292	0	590,777	9,846
2017	0.00%	Gilmore Road Pump Station II	2049	408,562	0	(13,619)	394,943	6,809
2018	0.00%	Southern Hills Water Main	2049	1,787,761	25,619	0	1,813,380	30,223
2019	0.00%	Bilstein Water Main Loop	2050	0	238,021	0	238,021	3,967
2019	0.00%	North Third Street Water Main	2050	0	1,096,970	0	1,096,970	0
		Total Ohio Public Works Commission Loans		<u>7,142,237</u>	<u>1,394,902</u>	<u>(160,767)</u>	<u>8,376,372</u>	<u>124,419</u>
Business-Type Activities Other Long-Term Obligations:								
		Compensated absences		<u>2,913,027</u>	<u>1,541,177</u>	<u>(1,513,164)</u>	<u>2,941,040</u>	<u>1,631,003</u>
		Business-Type Activities Debt and Other Long-Term Obligations		<u>\$123,836,809</u>	<u>\$53,793,682</u>	<u>(\$40,579,910)</u>	<u>\$137,050,581</u>	<u>\$6,489,199</u>

*The Ohio Water Development Authority Loans and Ohio Public Works Commission Loans are direct borrowings.

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

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Under the terms of the revenue bond indentures, the City has agreed to certain covenants including, among other things, maintaining revenue levels to provide for operating expenses and debt service. All of the borrowing issued under the master trust indentures for the revenue bonds are insured under municipal bond insurance policies. Under the terms of the policies, the insurer guarantees the payments of principal and interest.

A. Long-Term Note Issuance

Long term notes payable at December 31, 2019 consisted of Various Purpose Improvement Notes issued to finance property acquisition and improvements. The notes are dated August 20, 2019, at an interest rate of 2.42%. On March 20, 2020 these notes were paid off with proceeds from a special obligation bond issuance; therefore, these notes payable are recorded as long-term obligations.

B. Mortgage Revenue Bond Issuance

In December 2019 the City issued \$15,600,000 of Electric System Improvement Mortgage Revenue Bonds. The bonds carry an interest rate of 3.0% to 5.0% and mature in October 2049. In November 2019 the City issued \$1,800,000 of Water System Improvement Mortgage Revenue Bonds. The bonds carry an interest rate of 3.0% to 4.0% and mature in October 2049.

C. Defeasance of Debt

In August 2017 the City defeased \$4,250,000 of Gas Mortgage Revenue Bonds through the issuance of \$5,840,000 of Revenue Refunding Bonds. A portion of the net proceeds of the 2017 Bonds were used to make current payments on the old bonds and the remaining proceeds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$3,445,000 at December 31, 2019 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In June 2017 the City defeased \$13,075,000 of Various Purpose General Obligation Bonds through the issuance of \$14,207,842 of Various Purpose Income Tax Revenue Bonds. The net proceeds of the 2017 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$9,715,000 at December 31, 2019 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

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

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

C. Defeasance of Debt (Continued)

In December 2019 the City defeased \$14,520,000 of Electric Mortgage Revenue Bonds dated 2009, through the issuance of \$11,285,000 of Electric Mortgage Revenue Bonds, and additional cash on hand. The net proceeds of the 2019 Bonds have been used to currently refund the 2009 bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$6,536,699 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$2,310,855.

In November 2019 the City defeased \$8,915,000 of Water Mortgage Revenue Bonds dated 2009, through the issuance of \$8,075,000 of Water Mortgage Revenue Bonds. The net proceeds of the 2019 Bonds have been used to currently refund the 2009 bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$2,133,926 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,559,754.

In November 2019 the City defeased \$10,865,000 of Wastewater Mortgage Revenue Bonds dated 2009, through the issuance of \$8,865,000 of Wastewater Mortgage Revenue Bonds, and additional cash on hand. The net proceeds of the 2019 Bonds have been used to currently refund the 2009 bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$3,409,416 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,658,833.

This space intentionally left blank.

CITY OF HAMILTON, OHIO

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

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

D. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2019 follows:

GOVERNMENTAL ACTIVITIES									
Years	General Obligation Bonds			Special Assessment Bonds			Income Tax Revenue Bonds*		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$680,000	\$495,077	\$1,175,077	\$100,000	\$12,175	\$112,175	\$769,552	\$290,007	\$1,059,559
2021	1,710,000	463,277	2,173,277	80,000	6,300	86,300	793,260	267,800	1,061,060
2022	505,000	395,077	900,077	30,000	2,363	32,363	812,089	244,971	1,057,060
2023	530,000	377,277	907,277	0	0	0	837,220	220,591	1,057,811
2024	555,000	358,228	913,228	0	0	0	672,296	199,941	872,237
2025-2029	1,785,000	1,638,062	3,423,062	0	0	0	2,956,441	725,984	3,682,425
2030-2034	1,695,000	1,357,440	3,052,440	0	0	0	2,923,825	308,193	3,232,018
2035-2039	2,290,000	1,029,800	3,319,800	0	0	0	500,926	7,348	508,274
2040-2044	1,890,000	628,380	2,518,380	0	0	0	0	0	0
2045-2048	1,800,000	254,437	2,054,437	0	0	0	0	0	0
Totals	\$13,440,000	\$6,997,055	\$20,437,055	\$210,000	\$20,838	\$230,838	\$10,265,609	\$2,264,835	\$12,530,444

BUSINESS-TYPE ACTIVITIES									
Years	Revenue Bonds			General Obligation Bonds			OWDA/OPWC Loans*		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$4,635,000	\$4,225,234	\$8,860,234	\$20,000	\$17,717	\$37,717	\$203,196	\$43,630	\$246,826
2021	4,710,000	4,339,644	9,049,644	20,000	16,917	36,917	349,346	41,578	390,924
2022	4,865,000	4,163,672	9,028,672	25,000	16,117	41,117	350,622	39,497	390,119
2023	5,065,000	3,964,691	9,029,691	25,000	15,367	40,367	351,929	37,385	389,314
2024	5,250,000	3,783,686	9,033,686	25,000	14,618	39,618	353,267	35,241	388,508
2025-2029	24,830,000	15,491,639	40,321,639	130,000	62,100	192,100	1,787,581	142,882	1,930,463
2030-2034	22,885,000	10,812,751	33,697,751	150,000	41,200	191,200	1,701,251	90,949	1,792,200
2035-2039	27,260,000	6,031,013	33,291,013	140,000	12,688	152,688	1,581,726	54,264	1,635,990
2040-2044	10,335,000	1,726,550	12,061,550	0	0	0	1,425,564	30,477	1,456,041
2045-2049	4,935,000	455,213	5,390,213	0	0	0	1,369,077	9,887	1,378,964
Totals	\$114,770,000	\$54,994,093	\$169,764,093	\$535,000	\$196,724	\$731,724	\$9,473,559	\$525,790	\$9,999,349

*The Income Tax Revenue Bonds are direct placement debt. The Ohio Water Development Authority Loans and Ohio Public Works Commission Loans are direct borrowing debt.

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

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

E. Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2019, there were four series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$16,034,069.

F. Ohio Water Development Authority Loans

Storm Water Improvements - In 2016 the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan for storm water improvements at South Hamilton Road. The total amount is subject to change and has not been finalized. The interest rate on the loan is 2.13%, per annum. This loan is payable from storm water collection charges and is received by the City in increments as the project is completed. As of December 31, 2019, the City had received \$3,378,885 from OWDA. Subsequent amounts will be received in future years. As of December 31, 2019, the loan has not been finalized and there is no amortization schedule for the loan.

G. Ohio Public Works Commission Loans

Bilstein Water Main Loop - In 2019 the City obtained financing through the Ohio Public Works Commission for the Bilstein water main loop project at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2019, the City had received \$238,021 from OPWC.

North Third Street Water Main Replacement - In 2019 the City obtained financing through the Ohio Public Works Commission for a water main replacement at North Third Street at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2019, the City had received \$1,096,970 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2019, the loan has not been finalized and there is no amortization schedule for the loan.

H. Pledged Revenue Coverage

The Gas Utility revenue bonds are payable from the net revenue derived from operations of the gas utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2027 and 2038. In 2019 the Gas Fund reported \$2,593,467 of net pledged revenues for coverage of a principal and interest debt service requirement of \$773,133.

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

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

H. Pledged Revenue Coverage (Continued)

The Electric Utility revenue bonds are payable from the net revenue derived from operations of the electric utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2030, 2039, and 2049. In 2019 the Electric Fund reported \$8,051,049 of net pledged revenues for coverage of a principal and interest debt service requirement of \$2,457,340.

The Water Utility revenue bonds are payable from the net revenue derived from operations of the water utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2029, 2039, 2044, 2048, and 2049. In 2019 the Water Fund reported \$2,914,642 of net pledged revenues for coverage of a principal and interest debt service requirement of \$2,202,199.

The Wastewater Utility revenue bonds are payable from the net revenue derived from operations of the wastewater utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2026, 2039, and 2041. In 2019 the Wastewater Fund reported \$4,873,901 of net pledged revenues for coverage of a principal and interest debt service requirement of \$3,853,762.

NOTE 15 - CAPITAL LEASE COMMITMENTS

The City leases the Hamilton Government Building from the Hamilton Community Authority (a discretely presented component unit). The capital lease liability is accounted for as Governmental Activities long-term debt. Prior to entering into the capital lease agreement, the City sold the building to the Hamilton Community Authority for \$24,768,150. The building is reported as Governmental Activities capital assets at historical cost. See note 23.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2019:

Year Ending December 31,	Governmental Capital Leases
2020	\$1,401,220
2021	1,402,968
2022	1,399,048
2023	1,399,593
2024	1,399,190
2025-2029	7,006,248
2030-2034	7,011,520
2035-2039	7,009,200
2040-2044	7,003,200
2045-2049	7,005,800
Minimum Lease Payments	42,037,987
Less: Amount representing interest at the City's incremental borrowing rate of interest	(17,702,987)
Present value of minimum lease payments	\$24,335,000

CITY OF HAMILTON, OHIO

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

NOTE 16 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability; damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a number of insurance coverages in order to protect against the various risks mentioned above. Those coverages are as follows:

Property Insurance	\$193,759,004	Limit
Earthquake	\$193,759,004	
Flood	\$5,000,000	
Ordinance or Law Coverage	\$2,500,000	
Extra Expense Designated Locations	\$1,500,000	
Valuable Papers Restoration	\$1,250,000	
Electric Property Insurance	\$387,500,000	Limit
Earthquake	\$125,000,000	
Flood	\$125,000,000	
Demolition and Increased Cost Construction	\$10,000,000	
Misc. Unnamed Locations	\$5,000,000	
Boiler and Machinery	\$40,000,000	Limit
Auto	\$1,000,000	Limit
Comprehensive and Collision	\$20,000	Deductible
Garage Keepers Liability	\$500,000	Limit
Crime – Theft of Money and Securities In/Out	\$100,000	Limit
Forgery and Alteration Coverage	\$100,000	Limit
Public Officials Bond – Treasurer	\$150,000	Limit
Public Officials Bond – All Others		
Various Limits to Named Positions	\$2,500	Limit
Blanket Limit (for police officers)	\$2,500	Limit
Blanket Minimum for All Other employees	\$2,500	Limit
Police Professional Liability (per occurrence)	\$2,000,000	Limit

CITY OF HAMILTON, OHIO

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

NOTE 16 - INSURANCE AND RISK MANAGEMENT (Continued)

Public Officials Liability	\$1,000,000	Limit
Public Utilities Excess Liability	\$80,000,000	Limit
Claims Made Retroactive 4/86		
Combined Products Liability		
Completed Operations Liability		
Failure to Supply Liability		
Pollution Liability		
Medical Malpractice Liability		
General Liability (per occurrence)	\$2,000,000	Limit
Products, Personal Injury, Stop Gap Liability	\$2,000,000	Limit
Ambulance Attendants Errors and Omissions	\$1,000,000	Limit
Pollution Legal Liability	\$10,000,000	Limit
Named NDD Housing Lead Abatement		
One Year Term		
Pollution Legal Liability		
Named Brownfield Location – Hamilton Die Cast	\$5,000,000	Limit
10 Year Term		
Cyber Liability	\$5,000,000	Limit
Umbrella	\$19,000,000	Limit
Does not apply separately over the underlying/primary coverages		

Third-party liability coverage is subject to a \$100,000 Self-Insured Retention (SIR). A \$400,000 total Self-Insured Retention (SIR) (annual) will be applicable to Public Entity General Liability, Employee Benefit, Plan Administration Liability, Law Enforcement Liability, Auto Liability, and Public Entity Management Liability. This will act as an aggregate stop loss maximum. Third party claims adjustment services are provided by Travelers Insurance as per the terms of the City of Hamilton's contract with Travelers Insurance for SIR claims and Cunningham Lindsey U.S. Inc. for utility claims.

There has been no significant reduction in coverage in 2019. Settled claims did not exceed this commercial coverage in any of the past three years.

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

NOTE 16 - INSURANCE AND RISK MANAGEMENT (Continued)

A. Self-Insurance

Medical coverage is offered to employees through a self-funded insurance plan. The plan is offered to local governments state-wide through the Jefferson Health Plan (JHP) in Steubenville, Ohio and administered by United Healthcare of Ohio.

The City participates in the plan and makes payment to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The claims liability of \$713,069 reported in the General Fund at December 31, 2019 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This amount is non-discounted and is based upon historical claims experience. Changes in the claims liability in 2018 and 2019 was as follows:

Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2018	\$482,323	\$5,762,626	(\$5,848,112)	\$396,837
2019	396,837	6,041,570	(5,725,338)	713,069

B. BWC Group Retrospective Rating Program

The City participates in the Ohio BWC Group Retrospective Rating Program. The Group Retrospective Rating Program is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rates and lower associated claims costs. Group retrospective rating member employers initially pay their individual experience rated premium to the BWC as if they were not in a retro group. The total of the individual premiums for the group members is the “standard premium” of the group. 12 months after the end of the policy year, the BWC will calculate the group retrospective premium, based upon developed incurred claim losses of the entire group. The BWC will then compare the group retrospective premium to the standard premium. If the retrospective premium is lower than the standard premium, group members will receive a rebate of the difference. If the retrospective premium is higher, each group member will be charged an assessment to cover the shortfall. This calculation is done again at 24 and 36 months, providing a financial incentive for group members to continuously work on safety and claims management.

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

NOTE 16 - INSURANCE AND RISK MANAGEMENT (Continued)

C. BWC Individual Retrospective Rating Program

In prior years the City was enrolled in the Ohio BWC’s Individual Retrospective Rating program. Each retrospective rated policy year carries a 10 year liability period. The Individual Retrospective Rating provided the City with an up-front premium discount in exchange for assuming dollar-for-dollar claims liability for any claim filed during the Retrospective Rating policy year. There is a maximum per claim limit and an aggregate policy limit in Retrospective Rating. For 2019 Hamilton’s per claim limit is \$200,000 and its aggregate policy limit is 150% of the standard premium (i.e., premium before the Individual Retrospective Rating discount and less BWC administrative costs).

The claims liability of \$7,941 reported in the General Fund at December 31, 2019 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amount are as follows:

Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2018	\$17,303	\$2,343	(\$17,303)	\$2,343
2019	2,343	7,941	(2,343)	7,941

This space intentionally left blank.

CITY OF HAMILTON, OHIO

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

NOTE 17 – SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2019, the City had contractual commitments related to property, plant and equipment improvements and additions, as well as various other contracts and agreements to provide or receive services related to the operations of the City. The list below reflects the major contracts that comprise commitments at December 31, 2019:

Vendor	Contractual Commitment
Fairfield Township	\$1,750,000
Wesco - Aurora	1,431,141
Gateway Interests LLC	1,329,497
Leo J Brielmaier Co	391,111
Insituform Technologies LLC	388,870
R A Miller Construction Co Inc.	383,357
Insight Pipe Contracting LP	339,699
Rumpke	283,426
Queen City Mechanicals Inc.	270,000
Insituform Technologies LLC	257,663
SSOE Inc.	230,327
Municipal Energy Services Agency	227,997
Pinpoint Utility Inspections	222,675
Mesa Associates Inc.	212,146
Rack & Ballauer Excavating	186,923
R A Consultants LLC	181,618
FYDA Freightliner	177,158
Prime AE Group Inc.	178,440
Ford Development Corp	154,077
City of Hamilton Utility Bills	151,421
Alter Industries Inc.	127,425
	\$8,874,971

B. Encumbrance Commitments

At December 31, 2019 the City had encumbrance commitments in the Governmental Funds as follows:

Fund	Encumbrances
General Fund	\$939,617
Other Governmental Funds	7,441,177
Total Governmental Funds	\$8,380,794

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

NOTE 18 – CONTINGENCIES

A. Litigation

Various claims and lawsuits are pending against the City. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the City's financial position.

B. Federal and State Grants

For the period January 1, 2019 to December 31, 2019, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

This space intentionally left blank.

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

NOTE 19 – JOINT VENTURES

The City of Hamilton is a member of a number of Governmental Joint Ventures as described in GASB Statement No. 61. The following is a list of organizations and a brief description of each Joint Venture.

A. Hamilton-Indian Springs Joint Economic Development Districts

In 1996, the Hamilton-Indian Springs Joint Economic Development District (JEDD) between the City of Hamilton and Fairfield Township was approved by Fairfield Township voters. It set aside over 200 acres of prime land, zoned for business and industrial, to be serviced jointly as specified in the contract and marketed for commercial/industrial development. The original JEDD authorized a 2% earnings tax on all business within its boundaries, of which 75% flows to the City and 25% flows to the Township. One stipulation of the JEDD agreement is that the City of Hamilton will not annex any township land for the 30-year term of the contract. In exchange, 12 acres of county-owned land on the boundary between Hamilton and the Township was transferred to the City. The JEDD contains Menards, which opened in 2011, a home improvement chain store with locations throughout the Midwestern United States. Construction was completed on a new Hobby Lobby store in 2015 and Discount Tire and AAA Storage opened for business during 2016. An amendment to the JEDD was approved in August 2004 to add over 100 acres of retail development. This amendment reversed the collection percentage of the entities (75% for Fairfield Township and 25% for the City) for this section of land. To date, the development in the JEDD areas has proceeded at a strong pace. A number of projects and developments have occurred within all phases of the JEDD, including several banks and restaurants, as well as stores such as Wal-Mart, Target, Dick's, Best Buy, JC Penney, Staples and a variety of other retail establishments. The interchange was upgraded and the State Route 4 By-Pass was widened to provide improved access to the JEDD. Due to this JEDD's location around the interchange of State Route 129 and the State Route 4 By-Pass, additional retail and commercial development is expected to continue at this location into the future.

In April 2017, a second amendment to the JEDD was approved to add approximately 184 acres. Income tax collections in this area are distributed 50% to the City of Hamilton and 50% to Fairfield Township. The land comprising the JEDD around the intersection of Gilmore Road and Hamilton Mason Road will include an assisted living facility currently under construction by StoryPoint Senior Living on about 15 acres of the land.

During 2019, the City's distribution of tax collections for the Hamilton-Indian Springs Joint Economic Development District totaled \$742,692.

B. American Municipal Power (AMP) – OMEGA JV2 Project

In December 2000, the City became a part of the OMEGA (Ohio Municipal Energy Generation Association) JV2 Project. The OMEGA JV2 project is a joint venture among the City of Hamilton and 35 other participating municipalities created under the auspices of the Ohio Constitution Section XVIII, Sections 3 and 4 and Ohio Revised Code Section 715.02. All of the participating communities are members of AMP, Inc. and the joint venture has appointed that non-profit corporation to perform certain management functions.

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

NOTE 19 – JOINT VENTURES (Continued)

B. American Municipal Power (AMP) – OMEGA JV2 Project (Continued)

The purpose of the joint venture is to create distributive generation among the participating members allowing for increased electric production capacity during peak demand. The degree of control exercised by any participating member is weighted in proportion to each participant's project share, which is 23.87% for the City (a non-majority voting position). Project share is equal to the amount of distributive generation capacity for each of the members. Membership in the joint venture is defined as financing or non-financing participant, as well as an owner or purchasing participant, for which the City qualifies as a financing, purchasing participant. As a financing purchasing participant, the City makes payments to OMEGA JV2.

The continued existence of OMEGA JV2 is dependent upon the City's continued participation, but the City, as a financing purchasing participant, does not have an equity interest in OMEGA JV2. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43219.

C. Meldahl Hydroelectric Project

AMP constructed a three unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing dam, on the Ohio River, constructed by the United States Army Corps of Engineers and of related equipment and associated transmission facilities (the "Meldahl Project"). Now that the Meldahl Project has entered commercial operation, it has a generating capacity of approximately 105 MW. The City of Hamilton and AMP hold, as co-licensees, the Federal Energy Regulatory Commission license to operate the Meldahl Project.

The City of Hamilton has executed a take-or-pay power sales contract with AMP for a Project Share of 54MW or 51.4% of capacity and associated energy from the Meldahl Project.

Pursuant to the various agreements between Hamilton and AMP, the Meldahl Project is owned by Meldahl, LLC, a single member, Delaware not-for-profit limited liability company ("Meldahl, LLC"). AMP is the sole member of Meldahl, LLC and appoints three members of its Board of Directors (the Meldahl Board). AMP, acting as agent of Meldahl LLC, has financed the development, acquisition, construction and equipping of the Meldahl Project. In order to finance the construction of the Meldahl Project and related costs, in 2010 and 2011 AMP issued six series of its Meldahl Hydroelectric Project Revenue Bonds (the "Meldahl Bonds") in the amount of \$685,100,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. The Meldahl Project entered commercial operation on April 12, 2016.

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

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS

The City of Hamilton is a member of a number of Jointly Governed Organizations as described in GASB Statement No. 61. The following is a list of organizations and a brief description of each Jointly Governed Organization.

A. AMP, Inc.

The City of Hamilton is a member of American Municipal Power, Inc. (AMP). AMP is a non-profit corporation organized under Ohio law and Internal Revenue Code Section 501 and is a jointly governed organization. The organization operates on a non-profit basis for the mutual benefit of its member municipalities, all of whom own or operate a municipal electric system. The non-profit corporation is dedicated to providing member assistance and low-cost power supplies.

The controlling board of AMP, Inc. is based upon a representative from several of the member communities. The degree of control exercised by any participating government is limited to its representation on the board. The continued existence of the corporation is not dependent upon the City. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43229.

B. Transportation Improvement District of Butler County

The Transportation Improvement District of Butler County (TID), a jointly governed organization, provides the opportunity to construct roads, bridges, and accompanying improvements within the County. The TID's Board of Trustees, which consists of representatives from Butler County, two cities and three townships, oversees the operation of the District. The continued existence of the TID is not dependent upon the City of Hamilton's continued participation and the City of Hamilton has no equity interest in the Transportation Improvement District. Complete financial statements can be obtained from the Transportation Improvement District, 1921 Fairgrove Ave., Hamilton, Ohio 45011.

C. Butler County Emergency Management Agency

The Butler County Emergency Management Agency (EMA) is a jointly governed organization whose membership consists of Butler County, five cities including the City of Hamilton, and seven villages. The EMA was created by a countywide agreement with the Butler County Commissioners and is intended to provide cooperative effort between all local governments to manage disaster relief and coordinate with the Federal Emergency Management Agency (FEMA) in times of crisis. The twenty-six members of the advisory council comprise one County Commissioner and the chief official of each of the local government members. The continued existence of the Butler County Emergency Management Agency is not dependent upon the City's continued participation and the City of Hamilton has no equity interest in the Butler County EMA. Complete financial statements can be obtained from the Butler County Emergency Management Agency, 315 High Street, Hamilton, Ohio 45011.

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

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Hamilton Community Improvement Corporation

The Hamilton Community Improvement Corporation (CIC) was incorporated under Internal Revenue Code Section 501(c)(6) in 1966 to advance, encourage, and promote the industrial, economic, commercial, and civil development of the City of Hamilton and the area surrounding it. The CIC is a jointly governed organization. The Board of Trustees of the CIC provides oversight to the CIC's operations and is comprised of members representing the City of Hamilton, the Greater Hamilton Chamber of Commerce and local business officials. The City does not maintain a voting majority on the Board and the CIC is not dependent on the City's continued participation for its continued existence. Complete financial statements can be obtained from the Hamilton Community Improvement Corporation, 345 High Street, Hamilton, Ohio 45011.

E. Hamilton Economic Development Corporation

The Hamilton Economic Development Corporation (HEDC) was organized to provide increased awareness to Downtown Hamilton businesses and to foster economic growth within the City. The corporation was formed under Internal Revenue Code Section 501(c)(6) and is a jointly governed organization. The HEDC's Board provides oversight to the activities of the organization. The Board consists of the City Manager of Hamilton, the Mayor and Vice-Mayor of Hamilton, one County Commissioner, the Superintendent of the Hamilton City School District, and the thirty-three members of the Hamilton Chamber of Commerce. The City does not maintain a voting majority on the Board and the HEDC is not dependent on the City's continued participation for its continued existence. Complete financial statements can be obtained from the HEDC, 201 Dayton Street, Hamilton, Ohio 45011.

F. Ohio-Kentucky-Indiana Regional Council of Governments

The Ohio-Kentucky-Indiana Regional Council of Governments (OKI), a jointly governed organization, was established to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. The OKI region includes Butler, Clermont, Hamilton, and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky, and Dearborn and Ohio Counties in Indiana.

OKI contracts for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each City and municipal corporation, one individual selected by each City planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member City.

CITY OF HAMILTON, OHIO

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

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

F. Ohio-Kentucky-Indiana Regional Council of Governments (Continued)

This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI effective two years after receipt of the notice by OKI. To obtain financial statements of the Ohio-Kentucky-Indiana Regional Council of governments, write to OKI at 720 E. Pete Rose Way, Suite 420, Cincinnati, OH 45202.

NOTE 21 – ENTERPRISE INTERFUND REVENUES AND ADMINISTRATIVE CHARGES

The City’s Utility Enterprise activities (Gas, Electric, Water and Wastewater) make sales to one another on both a daily basis and a non-routine basis, at standard utility rates defined by municipal ordinance.

During 2019, the Electric Fund purchased \$151,122 of natural gas from the Gas Fund. This amount is reflected in the purchased electric expense account in the Electric Fund and as charges for services in the Gas Fund.

The Water and Wastewater Funds purchased electric services from the Electric Fund in the amount of \$1,062,350 and \$607,073 respectively, during 2019. These amounts are recorded in the Water and Wastewater Funds as contractual services and as charges for services in the Electric Fund.

The City’s Electric System provides street and traffic lighting services to the City and the estimated operating cost of supplying these services was approximately \$295,000 for the year ending December 31, 2019.

Beginning in 2009, Council approved a policy to provide certain utility costs to general government facilities at no cost. The estimated operating cost of supplying gas, water, and wastewater utilities at no cost to general governmental facilities was \$228,728 for the year ending December 31, 2019.

The Utility Systems are allocated a portion of the City’s administrative cost from the General Fund. In addition, each Utility is charged expenses by the City’s Internal Service Funds. Represented below is the amount charged to each Utility Fund by type of charge or activity for 2019.

	Gas	Electric	Water	Wastewater
Administrative cost (General Fund)	\$1,089,628	\$1,253,079	\$1,062,563	\$931,670
Central Services Fund	2,501,431	2,429,372	1,565,096	1,505,839
Fleet Maintenance Fund	197,942	197,942	197,942	0
Total	<u>\$3,789,001</u>	<u>\$3,880,393</u>	<u>\$2,825,601</u>	<u>\$2,437,509</u>

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

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT

The component unit column in the government-wide financial statements includes the financial data of the City’s discretely presented component unit, the Hamilton Community Authority (Authority).

A. Basis of Accounting

The basic financial statements of the Authority are prepared using the accrual basis of accounting in conformity with GAAP.

B. Basis of Presentation

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

C. Deposits

As of December 31, 2019, the Authority had \$6,296 in cash on deposit with US Bank (Trustee) in accordance with the Authority’s Master Trust Agreement with the Trustee. The amount on deposit with the Trustee consists of US Treasury money market funds. These accounts are reported as cash and investments on the Statement of Net Position.

D. Capital Lease Receivable

In March 2019, the Authority issued \$24,860,000 in lease revenue bonds to purchase the Hamilton Government Building located at 345 High Street for \$24,768,150.16. The Authority entered into a capital lease agreement with the City where the City leases the building from the Authority. The Authority has pledged its lease payments received from the City for the payment of principal and interest on the bonds. In 2019, the City paid the Authority \$1,052,146 in lease payments.

The following is a schedule of future lease payments under the capital lease as of December 31, 2019:

Years	Lease Receivable		
	Principal	Interest	Total
2020	\$465,000	\$936,220	\$1,401,220
2021	480,000	922,968	1,402,968
2022	490,000	909,048	1,399,048
2023	505,000	894,593	1,399,593
2024	520,000	879,190	1,399,190
2025-2029	2,880,000	4,126,248	7,006,248
2030-2034	3,460,000	3,551,520	7,011,520
2035-2039	4,205,000	2,804,200	7,009,200
2040-2044	5,110,000	1,893,200	7,003,200
2045-2049	6,220,000	785,800	7,005,800
Totals	\$24,335,000	\$17,702,987	\$42,037,987

CITY OF HAMILTON, OHIO

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

NOTE 22 – DISCRETELY PRESENTED COMPONENT UNIT (Continued)

E. Long-Term Debt

Debt activity for the Authority for the year ended December 31, 2019 was as follows:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
2019 Lease Revenue Bonds	\$0	\$24,860,000	(\$525,000)	\$24,335,000	\$465,000
Bond Premium	0	642,501	(16,063)	626,438	0
Total Lease Revenue Bonds	<u>\$0</u>	<u>\$25,502,501</u>	<u>(\$541,063)</u>	<u>\$24,961,438</u>	<u>\$465,000</u>

NOTE 23 – HAMILTON GOVERNMENT BUILDING SALE AND LEASE

On March 26, 2019, the City sold the Hamilton Government Building at 345 High Street to the Authority for \$24,768,150. The City entered a 30-year lease agreement with the Authority for continued use of the building and the City maintains responsibility for upkeep and maintenance. With the proceeds, the City immediately retired the building portion of the Series 2017 US Bank Placement Refinancing Bonds in the amount of \$9,628,162. The remaining building proceeds totaling \$15,139,989 were deposited into the newly created Governmental Building Sale Proceeds capital projects fund, \$1,100,000 of this amount was used to retire the First Financial Property Improvement note.

NOTE 24 – SUBSEQUENT EVENTS

On March 18, 2020, the City issued \$28,655,000 in Taxable Special Obligation Nontax Revenue Bonds. The issuance was approved by City Council on March 11, 2020 by Emergency Ordinance EOR2020-3-26. The bonds were issued to provide grants, loans, or otherwise make available funds in support of the redevelopment of the former Champion Paper mill site into a mixed-use sports, hotel, and conference complex. A portion of the funds were used to redeem all of the City’s outstanding Property Acquisition and Improvement Refunding Note, Series 2019.

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the government’s operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the government for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City’s financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMILTON, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability - Cost Sharing Plans
Last Six Years***

Ohio Public Employees Retirement System

Year	2014	2015	2016
City's proportion of the net pension liability	0.195707%	0.195707%	0.180651%
City's proportionate share of the net pension liability	\$23,071,305	\$23,604,447	\$31,291,101
City's covered payroll	\$24,119,685	\$24,075,983	\$22,863,367
City's proportionate share of the net pension liability as a percentage of its covered payroll	95.65%	98.04%	136.86%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016
City's proportion of the net pension liability	0.738902%	0.738902%	0.702774%
City's proportionate share of the net pension liability	\$35,986,826	\$38,278,184	\$45,209,938
City's covered payroll	\$14,795,978	\$14,571,091	\$14,408,748
City's proportionate share of the net pension liability as a percentage of its covered payroll	243.22%	262.70%	313.77%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability - Cost Sharing Plans
Last Six Years***

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability	0.181112%	0.194154%	0.192963%
City's proportionate share of the net pension liability	\$41,127,343	\$30,459,006	\$52,848,657
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393
City's proportionate share of the net pension liability as a percentage of its covered payroll	174.42%	118.70%	201.93%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	84.66%	74.70%

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

Ohio Police and Fire Pension Fund

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability	0.684675%	0.711449%	0.708997%
City's proportionate share of the net pension liability	\$43,366,613	\$43,664,825	\$57,872,890
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372
City's proportionate share of the net pension liability as a percentage of its covered payroll	294.64%	281.24%	358.85%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	70.91%	63.07%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

CITY OF HAMILTON, OHIO

***Schedule of City Pension Contributions - Cost Sharing Plans
Last Seven Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$3,135,559	\$2,889,118	\$2,743,604
Contributions in relation to the contractually required contribution	<u>3,135,559</u>	<u>2,889,118</u>	<u>2,743,604</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$24,119,685	\$24,075,983	\$22,863,367
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$2,673,790	\$3,091,205	\$3,060,364
Contributions in relation to the contractually required contribution	<u>2,673,790</u>	<u>3,091,205</u>	<u>3,060,364</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,795,978	\$14,571,091	\$14,408,748
Contributions as a percentage of covered payroll	18.07%	21.21%	21.24%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of City Pension Contributions - Cost Sharing Plans
Last Seven Years***

Ohio Public Employees Retirement System

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$2,829,496	\$3,335,767	\$3,664,135	\$3,804,802
Contributions in relation to the contractually required contribution	<u>2,829,496</u>	<u>3,335,767</u>	<u>3,664,135</u>	<u>3,804,802</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393	\$27,177,157
Contributions as a percentage of covered payroll	12.00%	13.00%	14.00%	14.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$3,127,255	\$3,291,033	\$3,409,109	\$3,544,582
Contributions in relation to the contractually required contribution	<u>3,127,255</u>	<u>3,291,033</u>	<u>3,409,109</u>	<u>3,544,582</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372	\$16,769,908
Contributions as a percentage of covered payroll	21.25%	21.20%	21.14%	21.14%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund



CITY OF HAMILTON, OHIO

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

Ohio Public Employees Retirement System

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.184216%	0.196423%	0.195454%
City's proportionate share of the net OPEB liability (asset)	\$18,606,477	\$21,330,123	\$25,482,589
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	78.91%	83.13%	97.36%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%	46.33%

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

Ohio Police and Fire Pension Fund

Year	2017	2018	2019
City's proportion of the net OPEB liability (asset)	0.684675%	0.711449%	0.708997%
City's proportionate share of the net OPEB liability (asset)	\$32,499,962	\$40,309,693	\$6,456,505
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	220.81%	259.63%	40.03%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions-Cost Sharing Plans
Last Seven Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$241,197	\$481,520	\$457,267
Contributions in relation to the contractually required contribution	<u>241,197</u>	<u>481,520</u>	<u>457,267</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$24,119,685	\$24,075,983	\$22,863,367
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$536,138	\$72,855	\$72,044
Contributions in relation to the contractually required contribution	<u>536,138</u>	<u>72,855</u>	<u>72,044</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,795,978	\$14,571,091	\$14,408,748
Contributions as a percentage of covered payroll	3.62%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions-Cost Sharing Plans
Last Seven Years***

Ohio Public Employees Retirement System

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$471,583	\$256,597	\$0	\$0
Contributions in relation to the contractually required contribution	<u>471,583</u>	<u>256,597</u>	<u>0</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393	\$27,177,157
Contributions as a percentage of covered payroll	2.00%	1.00%	0.00%	0.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$73,593	\$77,629	\$80,637	\$83,850
Contributions in relation to the contractually required contribution	<u>73,593</u>	<u>77,629</u>	<u>80,637</u>	<u>83,850</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372	\$16,769,908
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

CITY OF HAMILTON, OHIO

***Schedule of City's Other Postemployment Benefits (OPEB) Liability –
Single Employer Plan
Last Three Years***

Retiree Life Insurance Plan

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB liability	\$1,386,170	\$1,327,255	\$1,502,960
City's covered-employee payroll	38,297,716	41,185,538	42,299,765
Total OPEB liability as a percentage of its covered-employee payroll	3.62%	3.22%	3.55%

Source: Finance Director's Office

Notes: The Retiree Life Insurance Plan has no assets.

The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of Changes in the City's Total Other Postemployment Benefit (OPEB) Liability -
Single Employer Plan
Last Two Years***

Retiree Life Insurance Plan

Year	<u>2018</u>	<u>2019</u>
Total OPEB Liability Beginning of Year	\$1,386,170	\$1,327,255
Service cost	15,498	14,686
Interest	47,062	48,811
Difference between expected and actual experience	19,734	31,916
Changes of assumptions	(57,311)	166,583
Benefit payments	<u>(83,898)</u>	<u>(86,291)</u>
Total OPEB Liability End of Year	<u>\$1,327,255</u>	<u>\$1,502,960</u>

Source: Finance Director's Office

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2018 is not available.

See accompanying notes to the required supplementary information

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

NET PENSION LIABILITY – COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

Changes in assumptions:

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

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

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

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

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

Changes in assumptions:

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

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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

NET OPEB LIABILITY – COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

Changes in assumptions:

2018: There were no changes in assumptions.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

TOTAL OPEB LIABILITY – SINGLE EMPLOYER PLAN

RETIREE LIFE INSURANCE PLAN

Changes in benefit terms: For 2018 and 2019, there were no changes in benefit terms.

Changes in assumptions:

2018: The single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 disabled retiree Mortality Table.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, INTERNAL
SERVICE FUNDS AND FIDUCIARY FUNDS.*

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than amounts relating to trusts, debt service, or major capital projects) that are legally restricted or committed to expenditures for specified purposes.

One Renaissance Center Fund

To account for revenues and expenditures related to the City-owned office tower known as One Renaissance Center. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Unclaimed Monies Fund

To account for the receipt of monies unable to be returned or distributed. The City will hold the receipts for the statutory period and then the monies will be disbursed to the State of Ohio. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Convention and Visitor's Bureau Fund

To account for the Hotel/Motel tax levied on guests of the City where 50% of such tax monies are distributed to the Convention and Visitor's Bureau and 50% is distributed to the City.

Central Business Special Improvement District Fund

To account for the receiving and disbursing of special assessments levied upon real property within the Hamilton Central Business Special Improvement District. (This fund is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Fire Insurance Deposit Escrow

To account for deposits and reimbursements held for fire damage as prescribed by Ohio Revised Code. (This fund is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Municipal Court Improvement Fund

To account for an extra five dollar fee charged by the municipal court on all cases. The money received from this fee is restricted for computerization projects within the municipal court.

Public Safety/Health Income Tax Fund

To account for revenue from 0.25% of the City's income tax restricted to expenditures for health and public safety.

Dispute Resolution Proceeds Fund

To account for the collection of certain fees imposed by Municipal Court. These are restricted to dispute resolution.

Safety Services Fund

To account for all monies restricted for public safety services including crime prevention, youth intervention, drug education and helmet and seatbelt safety.

Special Revenue Funds

Police Pension Fund

To accumulate property taxes levied for the partial payment of the current and accrued liability for police disability and pension.

Police Levy Fund

To account for monies from the one-mill levy to provide additional police personnel, motor vehicles and equipment of the police division.

Firemen's Pension Fund

To accumulate property taxes levied for the partial payment of the current and accrued liability for fire disability and pension.

Fire EMS Levy Fund

To account for monies from the one-mill levy to provide and maintain an additional front line paramedic unit with the fire division.

Stormwater Management Fund

To account for the planning, construction, operation and maintenance of storm water devices.

Refuse Fund

To account for revenues collected to help fund the refuse collection activity of the City. Revenue collected is committed to defray the cost of refuse collection.

Street Maintenance Fund

To account for state levied and controlled gasoline tax and motor vehicle license fees restricted for local street construction, maintenance and repair.

Land Reutilization Fund

To account for State grants from the Moving Ohio Forward program to be used for demolition of vacant, abandoned and blighted properties in the City.

Home Program Fund

To account for federal grants restricted for improvement of the community's housing stock.

Parking Fund

To account for revenues and expenditures associated with the operation of City-owned parking facilities.

Golf Course Fund

To account for revenues and expenditures associated with the operation of two City-owned golf courses.

Community Development Block Grant Fund

To account for federal grants restricted for community and environmental improvements.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Hamilton Capital Improvement Fund

To account for revenue from one-fourth of one percent (.25%) of the City income tax receipts. Funds are to be used for capital acquisition for Police, Fire, Public Works, Parks and Recreation and Public Health. Funds may also be used to retire outstanding General Obligation Bonds and Notes issued for capital acquisition.

Special Assessment Fund

To account for revenues and expenditures associated with the levy of special assessments on citizen's property.

Municipal Improvement Tax Increment Equivalent (MITIE) Fund

To account for monies deposited as service payments in lieu of taxes distributed by the County Treasurer for improvements exempt from taxation and for their related costs. To account for the deposit of any income tax revenue that has been dedicated to finance the aforementioned improvements.

Governmental Building Sale Proceeds Fund

To account for proceeds from the sale of the Hamilton Government Building. A portion of the proceeds were used for infrastructure improvements, and a portion was loaned to developers of the Spooky Nook project.

Issue II Projects Fund

To account for road and bridge construction projects, partially funded by state grants from the Ohio Public Works Commission, pursuant to Auditor of State specifications. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Infrastructure Program Fund

To account for the purpose of improving the City's infrastructure with proceeds from the issuance of gasoline tax revenue general obligation bonds and transfers from other funds.

Permanent Fund

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not *the* principal, may be used to support the City's programs.

Benninghofen Trust Fund

To account for the investment revenues received and uses of the monies from a charitable bequest made to the City for use with the poor by the Benninghofen Family. The bequest cannot be used for any purpose other than generating investment income.

CITY OF HAMILTON, OHIO

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$ 7,940,302	\$ 8,422,918	\$ 75,421	\$ 16,438,641
Receivables:				
Taxes	3,657,975	1,913,376	0	5,571,351
Accounts	1,006,324	0	0	1,006,324
Intergovernmental	2,145,490	0	0	2,145,490
Interest	7,843	0	0	7,843
Special Assessments	29,319	398,648	0	427,967
Loans	121,782	9,754,709	0	9,876,491
Inventory of Supplies, at Cost	33,161	0	0	33,161
Prepaid Items	26,866	0	0	26,866
Total Assets	\$ 14,969,062	\$ 20,489,651	\$ 75,421	\$ 35,534,134
Liabilities:				
Accounts Payable	\$ 1,111,515	\$ 2,735,226	\$ 421	\$ 3,847,162
Accrued Wages and Benefits Payable	153,167	0	0	153,167
Intergovernmental Payable	73,049	0	0	73,049
Accrued Liabilities	68,331	54,665	0	122,996
Customer Deposits	7,855	0	0	7,855
Due to Other Funds	3,082	0	0	3,082
Interfund Payable	0	942,000	0	942,000
Unearned Revenue	5,400	0	0	5,400
Total Liabilities	1,422,399	3,731,891	421	5,154,711
Deferred Inflows of Resources:				
Unavailable Amounts	2,500,199	974,976	0	3,475,175
Property Tax Levy for Next Fiscal Year	2,424,474	1,109,613	0	3,534,087
Total Deferred Inflows of Resources	4,924,673	2,084,589	0	7,009,262
Fund Balance:				
Nonspendable	60,027	0	75,000	135,027
Restricted	5,179,433	968,675	0	6,148,108
Committed	3,382,530	0	0	3,382,530
Assigned	0	14,355,360	0	14,355,360
Unassigned	0	(650,864)	0	(650,864)
Total Fund Balance	8,621,990	14,673,171	75,000	23,370,161
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 14,969,062	\$ 20,489,651	\$ 75,421	\$ 35,534,134

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2019***

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Income Taxes	\$ 3,584,098	\$ 2,867,277	\$ 0	\$ 6,451,375
Property and Other Local Taxes	2,522,919	1,109,612	0	3,632,531
Intergovernmental Revenues	5,074,226	5,138,481	0	10,212,707
Charges for Services	8,794,448	0	0	8,794,448
Licenses and Permits	401,928	0	0	401,928
Investment Earnings	89,644	44,582	1,501	135,727
Special Assessments	197,003	556,089	0	753,092
Fines and Forfeitures	434,496	0	0	434,496
All Other Revenue	442,246	43,765	0	486,011
Total Revenues	21,541,008	9,759,806	1,501	31,302,315
Expenditures:				
Current:				
General Government	113,876	0	1,501	115,377
Security of Persons and Property	5,321,937	0	0	5,321,937
Leisure Time Activities	1,118,254	0	0	1,118,254
Community Environment	1,642,440	0	0	1,642,440
Basic Utility Services	7,741,627	0	0	7,741,627
Transportation	3,196,931	0	0	3,196,931
Capital Outlay	0	10,610,750	0	10,610,750
Debt Service:				
Principal Retirement	154,934	0	0	154,934
Interest and Fiscal Charges	124,366	87,606	0	211,972
Total Expenditures	19,414,365	10,698,356	1,501	30,114,222
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	2,126,643	(938,550)	0	1,188,093
Other Financing Sources (Uses):				
Sale of Capital Assets	21,008	57,638	0	78,646
Capital Lease Issuance	0	15,231,839	0	15,231,839
OWDA Loans Issued	92,286	0	0	92,286
Long Term Note Issuance	0	3,893,340	0	3,893,340
Transfers In	228,091	2,702,248	0	2,930,339
Transfers Out	(425,000)	(3,858,318)	0	(4,283,318)
Total Other Financing Sources (Uses)	(83,615)	18,026,747	0	17,943,132
Net Change in Fund Balance	2,043,028	17,088,197	0	19,131,225
Fund Balance at Beginning of Year - Restated	6,591,428	(2,415,026)	75,000	4,251,402
Decrease in Inventory	(12,466)	0	0	(12,466)
Fund Balance End of Year	\$ 8,621,990	\$ 14,673,171	\$ 75,000	\$ 23,370,161

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2019**

	Convention and Visitor's Bureau	Central Business Special Improvement District	Fire Insurance Deposit Escrow	Municipal Court Improvement
Assets:				
Equity in Pooled Cash and Investments	\$ 26,264	\$ 0	\$ 146,504	\$ 427,978
Receivables:				
Taxes	0	0	0	0
Accounts	0	0	0	0
Intergovernmental	0	0	0	0
Interest	0	0	0	0
Special Assessments	0	29,319	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 26,264	\$ 29,319	\$ 146,504	\$ 427,978
Liabilities:				
Accounts Payable	\$ 26,264	\$ 0	\$ 0	\$ 7,148
Accrued Wages and Benefits Payable	0	0	0	0
Intergovernmental Payable	0	29,319	0	0
Accrued Liabilities	0	0	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	26,264	29,319	0	7,148
Deferred Inflows of Resources:				
Unavailable Amounts	0	0	0	0
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	0	0	0	0
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	0	0	146,504	420,830
Committed	0	0	0	0
Total Fund Balance	0	0	146,504	420,830
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 26,264	\$ 29,319	\$ 146,504	\$ 427,978

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2019**

	Public Safety/Health Income Tax	Dispute Resolution Proceeds	Safety Services	Police Pension
Assets:				
Equity in Pooled Cash and Investments	\$ 480,338	\$ 37,774	\$ 1,158,238	\$ 138,301
Receivables:				
Taxes	698,815	0	862,976	258,893
Accounts	0	0	0	0
Intergovernmental	0	0	48,693	18,706
Interest	0	0	0	0
Special Assessments	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 1,179,153	\$ 37,774	\$ 2,069,907	\$ 415,900
Liabilities:				
Accounts Payable	\$ 0	\$ 5	\$ 7,761	\$ 0
Accrued Wages and Benefits Payable	0	0	12,969	0
Intergovernmental Payable	0	49	2,434	0
Accrued Liabilities	68,331	0	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	68,331	54	23,164	0
Deferred Inflows of Resources:				
Unavailable Amounts	414,521	0	204,623	65,485
Property Tax Levy for Next Fiscal Year	0	0	707,046	212,114
Total Deferred Inflows of Resources	414,521	0	911,669	277,599
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	696,301	37,720	1,135,074	138,301
Committed	0	0	0	0
Total Fund Balance	696,301	37,720	1,135,074	138,301
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,179,153	\$ 37,774	\$ 2,069,907	\$ 415,900

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2019**

	Police Levy	Firemen's Pension	Fire EMS Levy	Stormwater Management
Assets:				
Equity in Pooled Cash and Investments	\$ 388,577	\$ 128,486	\$ 388,579	\$ 1,419,848
Receivables:				
Taxes	789,199	258,893	789,199	0
Accounts	0	0	0	314,707
Intergovernmental	43,477	14,608	43,477	0
Interest	0	0	0	4,108
Special Assessments	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 1,221,253	\$ 401,987	\$ 1,221,255	\$ 1,738,663
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 238,647
Accrued Wages and Benefits Payable	0	0	0	31,337
Intergovernmental Payable	0	0	0	9,302
Accrued Liabilities	0	0	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	0	0	0	279,286
Deferred Inflows of Resources:				
Unavailable Amounts	186,076	61,387	186,076	0
Property Tax Levy for Next Fiscal Year	646,600	212,114	646,600	0
Total Deferred Inflows of Resources	832,676	273,501	832,676	0
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	388,577	128,486	388,579	0
Committed	0	0	0	1,459,377
Total Fund Balance	388,577	128,486	388,579	1,459,377
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,221,253	\$ 401,987	\$ 1,221,255	\$ 1,738,663

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2019**

	Refuse	Street Maintenance	Land Reutilization	Home Program
Assets:				
Equity in Pooled Cash and Investments	\$ 1,525,341	\$ 966,220	\$ 21,046	\$ 105,144
Receivables:				
Taxes	0	0	0	0
Accounts	634,944	11,483	0	0
Intergovernmental	0	1,561,494	213,986	83,970
Interest	0	2,711	0	0
Special Assessments	0	0	0	0
Loans	0	0	0	24,328
Inventory of Supplies, at Cost	0	30,571	0	0
Prepaid Items	4,607	14,318	0	0
Total Assets	\$ 2,164,892	\$ 2,586,797	\$ 235,032	\$ 213,442
Liabilities:				
Accounts Payable	\$ 477,231	\$ 105,314	\$ 49	\$ 83,970
Accrued Wages and Benefits Payable	29,571	57,945	857	579
Intergovernmental Payable	9,079	15,684	669	147
Accrued Liabilities	0	0	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	515,881	178,943	1,575	84,696
Deferred Inflows of Resources:				
Unavailable Amounts	0	1,001,073	213,986	24,328
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	0	1,001,073	213,986	24,328
Fund Balance:				
Nonspendable	4,607	44,889	0	0
Restricted	0	1,361,892	19,471	104,418
Committed	1,644,404	0	0	0
Total Fund Balance	1,649,011	1,406,781	19,471	104,418
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,164,892	\$ 2,586,797	\$ 235,032	\$ 213,442

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2019**

	Parking	Golf Course	Community Development Block Grant	Total Nonmajor Special Revenue Funds
Assets:				
Equity in Pooled Cash and Investments	\$ 90,568	\$ 269,312	\$ 221,784	\$ 7,940,302
Receivables:				
Taxes	0	0	0	3,657,975
Accounts	45,190	0	0	1,006,324
Intergovernmental	0	0	117,079	2,145,490
Interest	257	767	0	7,843
Special Assessments	0	0	0	29,319
Loans	0	0	97,454	121,782
Inventory of Supplies, at Cost	0	2,590	0	33,161
Prepaid Items	5,976	1,965	0	26,866
Total Assets	\$ 141,991	\$ 274,634	\$ 436,317	\$ 14,969,062
Liabilities:				
Accounts Payable	\$ 35,488	\$ 12,559	\$ 117,079	\$ 1,111,515
Accrued Wages and Benefits Payable	4,843	10,692	4,374	153,167
Intergovernmental Payable	1,519	3,799	1,048	73,049
Accrued Liabilities	0	0	0	68,331
Customer Deposits	7,855	0	0	7,855
Due to Other Funds	0	0	3,082	3,082
Unearned Revenue	0	5,400	0	5,400
Total Liabilities	49,705	32,450	125,583	1,422,399
Deferred Inflows of Resources:				
Unavailable Amounts	45,190	0	97,454	2,500,199
Property Tax Levy for Next Fiscal Year	0	0	0	2,424,474
Total Deferred Inflows of Resources	45,190	0	97,454	4,924,673
Fund Balance:				
Nonspendable	5,976	4,555	0	60,027
Restricted	0	0	213,280	5,179,433
Committed	41,120	237,629	0	3,382,530
Total Fund Balance	47,096	242,184	213,280	8,621,990
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 141,991	\$ 274,634	\$ 436,317	\$ 14,969,062

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

	Convention and Visitor's Bureau	Central Business Special Improvement District	Fire Insurance Deposit Escrow	Municipal Court Improvement
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	98,420	0	0	0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	111,783
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	4,986
Special Assessments	0	197,003	0	0
Fines and Forfeitures	0	0	0	96,762
All Other Revenue	0	0	32,497	0
Total Revenues	<u>98,420</u>	<u>197,003</u>	<u>32,497</u>	<u>213,531</u>
Expenditures:				
Current:				
General Government	98,420	0	12,000	0
Security of Persons and Property	0	0	0	145,889
Leisure Time Activities	0	0	0	0
Community Environment	0	197,003	0	0
Basic Utility Services	0	0	0	0
Transportation	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	<u>98,420</u>	<u>197,003</u>	<u>12,000</u>	<u>145,889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	20,497	67,642
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
OWDA Loans Issued	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	20,497	67,642
Fund Balance at Beginning of Year - Restated	0	0	126,007	353,188
Decrease in Inventory	0	0	0	0
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,504</u>	<u>\$ 420,830</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

	Public Safety/Health Income Tax	Dispute Resolution Proceeds	Safety Services	Police Pension
Revenues:				
Income Taxes	\$ 3,584,098	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	707,054	212,116
Intergovernmental Revenues	0	0	167,124	37,444
Charges for Services	0	11,334	26,642	0
Licenses and Permits	0	0	0	0
Investment Earnings	1,982	227	3,652	425
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	337,734	0
All Other Revenue	0	0	56,120	0
Total Revenues	3,586,080	11,561	1,298,326	249,985
Expenditures:				
Current:				
General Government	0	3,456	0	0
Security of Persons and Property	3,289,000	0	849,048	130,000
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Basic Utility Services	0	0	0	0
Transportation	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	3,289,000	3,456	849,048	130,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	297,080	8,105	449,278	119,985
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	21,008	0
OWDA Loans Issued	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	21,008	0
Net Change in Fund Balance	297,080	8,105	470,286	119,985
Fund Balance at Beginning of Year - Restated	399,221	29,615	664,788	18,316
Decrease in Inventory	0	0	0	0
Fund Balance End of Year	\$ 696,301	\$ 37,720	\$ 1,135,074	\$ 138,301

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

	<u>Police Levy</u>	<u>Firemen's Pension</u>	<u>Fire EMS Levy</u>	<u>Stormwater Management</u>
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	646,605	212,116	646,608	0
Intergovernmental Revenues	87,041	29,245	87,041	0
Charges for Services	0	0	0	2,561,934
Licenses and Permits	0	0	0	0
Investment Earnings	1,161	385	1,161	34,240
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	0	0	0	27,305
Total Revenues	<u>734,807</u>	<u>241,746</u>	<u>734,810</u>	<u>2,623,479</u>
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	390,000	128,000	390,000	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Basic Utility Services	0	0	0	2,404,110
Transportation	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	47,178
Interest and Fiscal Charges	0	0	0	41,903
Total Expenditures	<u>390,000</u>	<u>128,000</u>	<u>390,000</u>	<u>2,493,191</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	344,807	113,746	344,810	130,288
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
OWDA Loans Issued	0	0	0	92,286
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>92,286</u>
Net Change in Fund Balance	344,807	113,746	344,810	222,574
Fund Balance at Beginning of Year - Restated	43,770	14,740	43,769	1,236,803
Decrease in Inventory	0	0	0	0
Fund Balance End of Year	<u>\$ 388,577</u>	<u>\$ 128,486</u>	<u>\$ 388,579</u>	<u>\$ 1,459,377</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

	Refuse	Street Maintenance	Land Reutilization	Home Program
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	0	0
Intergovernmental Revenues	0	3,318,780	0	343,542
Charges for Services	4,536,130	186,120	0	0
Licenses and Permits	0	401,928	0	0
Investment Earnings	11,677	17,469	195	845
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	124,097	10,101	0	5,044
Total Revenues	<u>4,671,904</u>	<u>3,934,398</u>	<u>195</u>	<u>349,431</u>
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	76,037	372,278
Basic Utility Services	5,337,517	0	0	0
Transportation	0	2,805,592	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	<u>5,337,517</u>	<u>2,805,592</u>	<u>76,037</u>	<u>372,278</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(665,613)	1,128,806	(75,842)	(22,847)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
OWDA Loans Issued	0	0	0	0
Transfers In	0	0	65,000	0
Transfers Out	0	(425,000)	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(425,000)</u>	<u>65,000</u>	<u>0</u>
Net Change in Fund Balance	(665,613)	703,806	(10,842)	(22,847)
Fund Balance at Beginning of Year - Restated	2,314,624	713,827	30,313	127,265
Decrease in Inventory	0	(10,852)	0	0
Fund Balance End of Year	<u>\$ 1,649,011</u>	<u>\$ 1,406,781</u>	<u>\$ 19,471</u>	<u>\$ 104,418</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

	Parking	Golf Course	Community Development Block Grant	Total Nonmajor Special Revenue Funds
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 3,584,098
Property and Other Local Taxes	0	0	0	2,522,919
Intergovernmental Revenues	0	0	1,004,009	5,074,226
Charges for Services	305,858	1,054,647	0	8,794,448
Licenses and Permits	0	0	0	401,928
Investment Earnings	3,699	6,131	1,409	89,644
Special Assessments	0	0	0	197,003
Fines and Forfeitures	0	0	0	434,496
All Other Revenue	6,070	86,299	94,713	442,246
Total Revenues	315,627	1,147,077	1,100,131	21,541,008
Expenditures:				
Current:				
General Government	0	0	0	113,876
Security of Persons and Property	0	0	0	5,321,937
Leisure Time Activities	0	1,118,254	0	1,118,254
Community Environment	0	0	997,122	1,642,440
Basic Utility Services	0	0	0	7,741,627
Transportation	391,339	0	0	3,196,931
Debt Service:				
Principal Retirement	100,000	7,756	0	154,934
Interest and Fiscal Charges	77,559	4,904	0	124,366
Total Expenditures	568,898	1,130,914	997,122	19,414,365
Excess (Deficiency) of Revenues Over (Under) Expenditures	(253,271)	16,163	103,009	2,126,643
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	21,008
OWDA Loans Issued	0	0	0	92,286
Transfers In	152,559	10,532	0	228,091
Transfers Out	0	0	0	(425,000)
Total Other Financing Sources (Uses)	152,559	10,532	0	(83,615)
Net Change in Fund Balance	(100,712)	26,695	103,009	2,043,028
Fund Balance at Beginning of Year - Restated	147,808	217,103	110,271	6,591,428
Decrease in Inventory	0	(1,614)	0	(12,466)
Fund Balance End of Year	\$ 47,096	\$ 242,184	\$ 213,280	\$ 8,621,990

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2019**

	<u>Hamilton Capital Improvement</u>	<u>Special Assessment</u>	<u>MITIE</u>
Assets:			
Equity in Pooled Cash and Investments	\$ 1,391,072	\$ 311,136	\$ 226,118
Receivables:			
Taxes	559,052	0	1,354,324
Special Assessments	0	398,648	0
Loans	0	0	0
Total Assets	<u>\$ 1,950,124</u>	<u>\$ 709,784</u>	<u>\$ 1,580,442</u>
Liabilities:			
Accounts Payable	\$ 821,285	\$ 20,000	\$ 0
Accrued Liabilities	54,665	0	0
Interfund Payable	0	942,000	0
Total Liabilities	<u>875,950</u>	<u>962,000</u>	<u>0</u>
Deferred Inflows of Resources:			
Unavailable Amounts	331,617	398,648	244,711
Property Tax Levy for Next Fiscal Year	0	0	1,109,613
Total Deferred Inflows of Resources	<u>331,617</u>	<u>398,648</u>	<u>1,354,324</u>
Fund Balance:			
Restricted	742,557	0	226,118
Assigned	0	0	0
Unassigned	0	(650,864)	0
Total Fund Balance	<u>742,557</u>	<u>(650,864)</u>	<u>226,118</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,950,124</u>	<u>\$ 709,784</u>	<u>\$ 1,580,442</u>

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2019**

	Governmental Building Sale Proceeds	Infrastructure Program	Total Nonmajor Capital Projects Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Investments	\$ 4,659,905	\$ 1,834,687	\$ 8,422,918
Receivables:			
Taxes	0	0	1,913,376
Special Assessments	0	0	398,648
Loans	9,754,709	0	9,754,709
Total Assets	<u>\$ 14,414,614</u>	<u>\$ 1,834,687</u>	<u>\$ 20,489,651</u>
Liabilities:			
Accounts Payable	\$ 1,610,072	\$ 283,869	\$ 2,735,226
Accrued Liabilities	0	0	54,665
Interfund Payable	0	0	942,000
Total Liabilities	<u>1,610,072</u>	<u>283,869</u>	<u>3,731,891</u>
Deferred Inflows of Resources:			
Unavailable Amounts	0	0	974,976
Property Tax Levy for Next Fiscal Year	0	0	1,109,613
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>2,084,589</u>
Fund Balance:			
Restricted	0	0	968,675
Assigned	12,804,542	1,550,818	14,355,360
Unassigned	0	0	(650,864)
Total Fund Balance	<u>12,804,542</u>	<u>1,550,818</u>	<u>14,673,171</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 14,414,614</u>	<u>\$ 1,834,687</u>	<u>\$ 20,489,651</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019***

	Hamilton Capital Improvement	Special Assessment	MITIE	Governmental Building Sale Proceeds
Revenues:				
Income Taxes	\$ 2,867,277	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	1,109,612	0
Intergovernmental Revenues	589,446	0	0	0
Investment Earnings	14,162	3,865	6,711	11,505
Special Assessments	0	556,089	0	0
All Other Revenue	43,765	0	0	0
Total Revenues	<u>3,514,650</u>	<u>559,954</u>	<u>1,116,323</u>	<u>11,505</u>
Expenditures:				
Capital Outlay	2,037,578	644,639	739,753	2,438,802
Debt Service:				
Interest and Fiscal Charges	21,853	0	65,753	0
Total Expenditures	<u>2,059,431</u>	<u>644,639</u>	<u>805,506</u>	<u>2,438,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,455,219	(84,685)	310,817	(2,427,297)
Other Financing Sources (Uses):				
Sale of Capital Assets	57,638	0	0	0
Capital Lease Issuance	0	0	0	15,231,839
Long Term Note Issuance	1,105,000	0	2,788,340	0
Transfers In	48,009	0	1,149,189	0
Transfers Out	(1,793,850)	(296,926)	(1,520,450)	0
Total Other Financing Sources (Uses)	<u>(583,203)</u>	<u>(296,926)</u>	<u>2,417,079</u>	<u>15,231,839</u>
Net Change in Fund Balance	872,016	(381,611)	2,727,896	12,804,542
Fund Balance at Beginning of Year	<u>(129,459)</u>	<u>(269,253)</u>	<u>(2,501,778)</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 742,557</u>	<u>\$ (650,864)</u>	<u>\$ 226,118</u>	<u>\$ 12,804,542</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019***

	Issue II Projects	Infrastructure Program	Total Nonmajor Capital Project Funds
Revenues:			
Income Taxes	\$ 0	\$ 0	\$ 2,867,277
Property and Other Local Taxes	0	0	1,109,612
Intergovernmental Revenues	1,672,333	2,876,702	5,138,481
Investment Earnings	0	8,339	44,582
Special Assessments	0	0	556,089
All Other Revenue	0	0	43,765
Total Revenues	<u>1,672,333</u>	<u>2,885,041</u>	<u>9,759,806</u>
Expenditures:			
Capital Outlay	1,672,333	3,077,645	10,610,750
Debt Service:			
Interest and Fiscal Charges	0	0	87,606
Total Expenditures	<u>1,672,333</u>	<u>3,077,645</u>	<u>10,698,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(192,604)	(938,550)
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	57,638
Capital Lease Issuance	0	0	15,231,839
Long Term Note Issuance	0	0	3,893,340
Transfers In	0	1,505,050	2,702,248
Transfers Out	0	(247,092)	(3,858,318)
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,257,958</u>	<u>18,026,747</u>
Net Change in Fund Balance	0	1,065,354	17,088,197
Fund Balance at Beginning of Year	<u>0</u>	<u>485,464</u>	<u>(2,415,026)</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 1,550,818</u>	<u>\$ 14,673,171</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund - General Fund
For the Year Ended December 31, 2019***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 20,630,000	\$ 20,624,869	\$ 22,285,343	\$ 1,660,474
Property and Other Local Taxes	5,345,000	5,345,000	5,461,838	116,838
Intergovernmental Revenues	1,975,900	1,975,900	2,375,891	399,991
Charges for Services	15,716,150	16,201,150	13,909,597	(2,291,553)
Licenses and Permits	858,190	858,190	1,170,129	311,939
Investment Earnings	177,500	177,500	545,912	368,412
Fines and Forfeitures	638,300	638,300	561,027	(77,273)
All Other Revenue	237,150	290,650	546,341	255,691
Total Revenues	<u>45,578,190</u>	<u>46,111,559</u>	<u>46,856,078</u>	<u>744,519</u>
Expenditures:				
Security of Persons and Property:				
Municipal Court:				
Personal Services	1,671,561	1,631,859	1,573,389	58,470
Other Expenditures	271,729	263,130	267,145	(4,015)
Total Municipal Court	<u>1,943,290</u>	<u>1,894,989</u>	<u>1,840,534</u>	<u>54,455</u>
Police:				
Personal Services	14,358,605	14,402,139	14,399,108	3,031
Other Expenditures	1,318,946	1,350,181	1,225,763	124,418
Total Police	<u>15,677,551</u>	<u>15,752,320</u>	<u>15,624,871</u>	<u>127,449</u>
Fire:				
Personal Services	12,089,320	12,120,446	12,047,673	72,773
Other Expenditures	1,550,694	1,497,422	1,434,101	63,321
Total Fire	<u>13,640,014</u>	<u>13,617,868</u>	<u>13,481,774</u>	<u>136,094</u>
Total Security of Persons and Property	<u>31,260,855</u>	<u>31,265,177</u>	<u>30,947,179</u>	<u>317,998</u>
Public Health and Welfare Services:				
Health:				
Personal Services	860,634	932,242	928,009	4,233
Other Expenditures	361,717	334,962	284,132	50,830
Total Public Health and Welfare Services	<u>1,222,351</u>	<u>1,267,204</u>	<u>1,212,141</u>	<u>55,063</u>

(Continued)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund - General Fund
For the Year Ended December 31, 2019***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Environment:				
Department of Planning:				
Personal Services	1,086,142	1,066,088	969,812	96,276
Other Expenditures	216,924	282,481	260,520	21,961
Total Department of Planning	1,303,066	1,348,569	1,230,332	118,237
CDBG:				
Other Expenditures	50,000	428,915	21,951	406,964
Total CDBG	50,000	428,915	21,951	406,964
Total Community Environment	1,353,066	1,777,484	1,252,283	525,201
Basic Utility Services:				
Public Works:				
Personal Services	1,155,880	1,215,919	1,159,187	56,732
Other Expenditures	262,979	256,997	214,026	42,971
Total Basic Utility Services	1,418,859	1,472,916	1,373,213	99,703
General Government:				
City Council:				
Personal Services	62,310	63,583	63,496	87
Other Expenditures	15,609	15,513	4,557	10,956
Total City Council	77,919	79,096	68,053	11,043
City Clerk:				
Personal Services	74,397	74,397	72,940	1,457
Other Expenditures	18,344	17,414	10,895	6,519
Total City Clerk	92,741	91,811	83,835	7,976
City Manager:				
Personal Services	385,411	460,043	460,038	5
Other Expenditures	31,860	35,720	35,231	489
Total City Manager	417,271	495,763	495,269	494
Department of Law:				
Personal Services	265,351	437,408	437,406	2
Other Expenditures	470,683	362,421	354,047	8,374
Total Department of Law	736,034	799,829	791,453	8,376

(Continued)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund - General Fund
For the Year Ended December 31, 2019***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Department of Civil Service:				
Personal Services	511,525	401,975	380,918	21,057
Other Expenditures	68,402	57,313	21,999	35,314
Total Department of Civil Service	579,927	459,288	402,917	56,371
Finance:				
Personal Services	1,615,671	1,561,410	1,522,253	39,157
Other Expenditures	974,732	1,002,747	880,780	121,967
Total Finance	2,590,403	2,564,157	2,403,033	161,124
Human Resources:				
Other Expenditures	122	0	0	0
Total Human Resources	122	0	0	0
Special Appropriations - General:				
Personal Services	25,000	101,456	0	101,456
Other Expenditures	5,384,221	6,041,775	5,820,833	220,942
Total Special Appropriations - General	5,409,221	6,143,231	5,820,833	322,398
Special Appropriations:				
Personal Services	85,000	85,140	70,963	14,177
Other Expenditures	1,132,604	1,130,370	990,427	139,943
Total Special Appropriations	1,217,604	1,215,510	1,061,390	154,120
Total General Government	11,121,242	11,848,685	11,126,783	721,902
Total Expenditures	46,376,373	47,631,466	45,911,599	1,719,867
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(798,183)	(1,519,907)	944,479	2,464,386
Other Financing Sources (Uses):				
Sale of Capital Assets	1,500	1,500	3,312	1,812
Transfers In	0	459,558	459,559	1
Transfers Out	(840,000)	(1,940,000)	(1,443,298)	496,702
Total Other Financing Sources (Uses)	(838,500)	(1,478,942)	(980,427)	498,515
Net Change in Fund Balance	(1,636,683)	(2,998,849)	(35,948)	2,962,901
Fund Balance at Beginning of Year	6,334,800	6,334,800	6,334,800	0
Prior Year Encumbrances	1,636,683	1,636,683	1,636,683	0
Fund Balance at End of Year	\$ 6,334,800	\$ 4,972,634	\$ 7,935,535	\$ 2,962,901

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Special Revenue Fund – Health Department Fund
For the Year Ended December 31, 2019***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 40,000	\$ 40,000	\$ 4,516	\$ (35,484)
Investment Earnings	70	70	188	118
All Other Revenue	1,425	1,425	1,422	(3)
Total Revenues	<u>41,495</u>	<u>41,495</u>	<u>6,126</u>	<u>(35,369)</u>
Expenditures:				
Public Health and Welfare Services:				
Other Expenditures	<u>42,286</u>	<u>7,670</u>	<u>7,161</u>	<u>509</u>
Total Expenditures	<u>42,286</u>	<u>7,670</u>	<u>7,161</u>	<u>509</u>
Net Change in Fund Balance	(791)	33,825	(1,035)	(34,860)
Fund Balance at Beginning of Year	8,876	8,876	8,876	0
Prior Year Encumbrances	<u>1,776</u>	<u>1,776</u>	<u>1,776</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,861</u>	<u>\$ 44,477</u>	<u>\$ 9,617</u>	<u>\$ (34,860)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Debt Service Fund – Debt Service Fund
For the Year Ended December 31, 2019***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 3,000,000	\$ 0	\$ (3,000,000)
Total Revenues	<u>0</u>	<u>3,000,000</u>	<u>0</u>	<u>(3,000,000)</u>
Expenditures:				
Debt Service:				
Principal Retirement	2,542,000	20,426,621	16,166,973	4,259,648
Interest and Fiscal Charges	1,187,000	1,222,333	1,042,493	179,840
Total Expenditures	<u>3,729,000</u>	<u>21,648,954</u>	<u>17,209,466</u>	<u>4,439,488</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,729,000)	(18,648,954)	(17,209,466)	1,439,488
Other Financing Sources (Uses):				
Sale of Capital Assets	0	10,000,000	9,516,507	(483,493)
Note Issuance	0	3,975,000	3,893,340	(81,660)
Transfers In	3,729,000	5,907,242	3,798,043	(2,109,199)
Total Other Financing Sources (Uses)	<u>3,729,000</u>	<u>19,882,242</u>	<u>17,207,890</u>	<u>(2,674,352)</u>
Net Change in Fund Balance	0	1,233,288	(1,576)	(1,234,864)
Fund Balance at Beginning of Year	<u>5,445</u>	<u>5,445</u>	<u>5,445</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,445</u>	<u>\$ 1,238,733</u>	<u>\$ 3,869</u>	<u>\$ (1,234,864)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

ONE RENAISSANCE CENTER FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 2,192,200	\$ 2,192,200	\$ 2,205,670	\$ 13,470
All Other Revenue	0	0	92	92
Total Revenues	2,192,200	2,192,200	2,205,762	13,562
Expenditures:				
General Government:				
Other Expenditures	1,261,442	2,370,583	1,961,768	408,815
Total Expenditures	1,261,442	2,370,583	1,961,768	408,815
Excess (Deficiency) of Revenues Over (Under) Expenditures	930,758	(178,383)	243,994	422,377
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	111,654	111,654
Transfers Out	(1,426,000)	(482,025)	(482,024)	1
Total Other Financing Sources (Uses)	(1,426,000)	(482,025)	(370,370)	111,655
Net Change in Fund Balance	(495,242)	(660,408)	(126,376)	534,032
Fund Balance at Beginning of Year	671,290	671,290	671,290	0
Prior Year Encumbrances	39,442	39,442	39,442	0
Fund Balance at End of Year	\$ 215,490	\$ 50,324	\$ 584,356	\$ 534,032

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

UNCLAIMED MONIES FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenue	\$ 5,000	\$ 6,728	\$ 8,711	\$ 1,983
Total Revenues	<u>5,000</u>	<u>6,728</u>	<u>8,711</u>	<u>1,983</u>
Expenditures:				
General Government:				
Other Expenditures	<u>90,000</u>	<u>35,000</u>	<u>4,732</u>	<u>30,268</u>
Total Expenditures	<u>90,000</u>	<u>35,000</u>	<u>4,732</u>	<u>30,268</u>
Net Change in Fund Balance	(85,000)	(28,272)	3,979	32,251
Fund Balance at Beginning of Year	<u>28,272</u>	<u>28,272</u>	<u>28,272</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ (56,728)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 32,251</u></u>	<u><u>\$ 32,251</u></u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

CONVENTION AND VISITOR'S BUREAU FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 100,000	\$ 100,000	\$ 98,420	\$ (1,580)
Total Revenues	100,000	100,000	98,420	(1,580)
Expenditures:				
General Government:				
Other Expenditures	100,000	100,000	99,765	235
Total Expenditures	100,000	100,000	99,765	235
Net Change in Fund Balance	0	0	(1,345)	(1,345)
Fund Balance at Beginning of Year	27,609	27,609	27,609	0
Fund Balance at End of Year	\$ 27,609	\$ 27,609	\$ 26,264	\$ (1,345)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

MUNICIPAL COURT IMPROVEMENT FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 111,000	\$ 111,000	\$ 111,783	\$ 783
Fines and Forfeitures	87,350	87,350	84,539	(2,811)
Total Revenues	<u>198,350</u>	<u>198,350</u>	<u>196,322</u>	<u>(2,028)</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	211,434	203,000	166,979	36,021
Total Expenditures	<u>211,434</u>	<u>203,000</u>	<u>166,979</u>	<u>36,021</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,084)	(4,650)	29,343	33,993
Other Financing Sources (Uses):				
Transfers In	0	847	847	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>847</u>	<u>847</u>	<u>0</u>
Net Change in Fund Balance	(13,084)	(3,803)	30,190	33,993
Fund Balance at Beginning of Year	347,866	347,866	347,866	0
Prior Year Encumbrances	26,184	26,184	26,184	0
Fund Balance at End of Year	<u>\$ 360,966</u>	<u>\$ 370,247</u>	<u>\$ 404,240</u>	<u>\$ 33,993</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

PUBLIC SAFETY/HEALTH INCOME TAX FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 3,326,000	\$ 3,352,286	\$ 3,594,438	\$ 242,152
Total Revenues	<u>3,326,000</u>	<u>3,352,286</u>	<u>3,594,438</u>	<u>242,152</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	3,326,000	3,526,000	3,289,000	237,000
Total Expenditures	<u>3,326,000</u>	<u>3,526,000</u>	<u>3,289,000</u>	<u>237,000</u>
Net Change in Fund Balance	0	(173,714)	305,438	479,152
Fund Balance at Beginning of Year	173,714	173,714	173,714	0
Fund Balance at End of Year	<u>\$ 173,714</u>	<u>\$ 0</u>	<u>\$ 479,152</u>	<u>\$ 479,152</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

DISPUTE RESOLUTION PROCEEDS FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 9,200	\$ 9,200	\$ 10,551	\$ 1,351
Total Revenues	9,200	9,200	10,551	1,351
Expenditures:				
General Government:				
Personal Services	4,705	4,705	4,501	204
Other Expenditures	1,000	1,000	0	1,000
Total Expenditures	5,705	5,705	4,501	1,204
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,495	3,495	6,050	2,555
Other Financing Sources (Uses):				
Transfers In	0	1,049	1,050	1
Total Other Financing Sources (Uses)	0	1,049	1,050	1
Net Change in Fund Balance	3,495	4,544	7,100	2,556
Fund Balance at Beginning of Year	29,751	29,751	29,751	0
Fund Balance at End of Year	\$ 33,246	\$ 34,295	\$ 36,851	\$ 2,556

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

SAFETY SERVICES FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 700,000	\$ 703,642	\$ 707,054	\$ 3,412
Intergovernmental Revenues	128,195	181,011	167,124	(13,887)
Charges for Services	19,600	19,600	26,642	7,042
Fines and Forfeitures	206,900	220,387	323,017	102,630
All Other Revenue	30,500	30,500	56,120	25,620
Total Revenues	<u>1,085,195</u>	<u>1,155,140</u>	<u>1,279,957</u>	<u>124,817</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	219,876	284,571	263,942	20,629
Other Expenditures	966,735	1,071,013	597,618	473,395
Total Expenditures	<u>1,186,611</u>	<u>1,355,584</u>	<u>861,560</u>	<u>494,024</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(101,416)	(200,444)	418,397	618,841
Other Financing Sources (Uses):				
Sale of Capital Assets	10,000	10,000	21,008	11,008
Transfers In	0	2,246	2,246	0
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>12,246</u>	<u>23,254</u>	<u>11,008</u>
Net Change in Fund Balance	(91,416)	(188,198)	441,651	629,849
Fund Balance at Beginning of Year	656,189	656,189	656,189	0
Prior Year Encumbrances	20,160	20,160	20,160	0
Fund Balance at End of Year	<u>\$ 584,933</u>	<u>\$ 488,151</u>	<u>\$ 1,118,000</u>	<u>\$ 629,849</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

POLICE PENSION FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 210,000	\$ 218,600	\$ 212,116	\$ (6,484)
Intergovernmental Revenues	30,000	30,000	37,444	7,444
Total Revenues	240,000	248,600	249,560	960
Expenditures:				
Security of Persons and Property:				
Other Expenditures	240,000	267,000	130,000	137,000
Total Expenditures	240,000	267,000	130,000	137,000
Net Change in Fund Balance	0	(18,400)	119,560	137,960
Fund Balance at Beginning of Year	18,400	18,400	18,400	0
Fund Balance at End of Year	\$ 18,400	\$ 0	\$ 137,960	\$ 137,960

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

POLICE LEVY FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 635,000	\$ 643,031	\$ 646,605	\$ 3,574
Intergovernmental Revenues	90,000	90,000	87,041	(2,959)
Total Revenues	725,000	733,031	733,646	615
Expenditures:				
Security of Persons and Property:				
Other Expenditures	725,000	777,000	390,000	387,000
Total Expenditures	725,000	777,000	390,000	387,000
Net Change in Fund Balance	0	(43,969)	343,646	387,615
Fund Balance at Beginning of Year	43,972	43,972	43,972	0
Fund Balance at End of Year	\$ 43,972	\$ 3	\$ 387,618	\$ 387,615

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

FIREMEN'S PENSION FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 210,000	\$ 211,193	\$ 212,116	\$ 923
Intergovernmental Revenues	30,000	30,000	29,245	(755)
Total Revenues	<u>240,000</u>	<u>241,193</u>	<u>241,361</u>	<u>168</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	240,000	256,000	128,000	128,000
Total Expenditures	<u>240,000</u>	<u>256,000</u>	<u>128,000</u>	<u>128,000</u>
Net Change in Fund Balance	0	(14,807)	113,361	128,168
Fund Balance at Beginning of Year	<u>14,808</u>	<u>14,808</u>	<u>14,808</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 14,808</u>	<u>\$ 1</u>	<u>\$ 128,169</u>	<u>\$ 128,168</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

FIRE EMS LEVY FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 635,000	\$ 643,531	\$ 646,608	\$ 3,077
Intergovernmental Revenues	90,000	90,000	87,041	(2,959)
Total Revenues	725,000	733,531	733,649	118
Expenditures:				
Security of Persons and Property:				
Other Expenditures	725,000	777,500	390,000	387,500
Total Expenditures	725,000	777,500	390,000	387,500
Net Change in Fund Balance	0	(43,969)	343,649	387,618
Fund Balance at Beginning of Year	43,971	43,971	43,971	0
Fund Balance at End of Year	\$ 43,971	\$ 2	\$ 387,620	\$ 387,618

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

STORMWATER MANAGEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 2,537,709	\$ 2,537,709	\$ 2,503,588	\$ (34,121)
Investment Earnings	20,000	20,000	25,572	5,572
All Other Revenue	25,000	25,000	27,305	2,305
Total Revenues	<u>2,582,709</u>	<u>2,582,709</u>	<u>2,556,465</u>	<u>(26,244)</u>
Expenditures:				
Basic Utility Services:				
Personal Services	785,639	785,639	745,245	40,394
Other Expenditures	3,654,235	3,603,719	2,080,584	1,523,135
Debt Service:				
Principal Retirement	92,100	88,358	47,178	41,180
Interest and Fiscal Charges	81,500	81,500	41,903	39,597
Total Expenditures	<u>4,613,474</u>	<u>4,559,216</u>	<u>2,914,910</u>	<u>1,644,306</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,030,765)	(1,976,507)	(358,445)	1,618,062
Other Financing Sources (Uses):				
Note Issuance	1,850,000	1,850,000	0	(1,850,000)
Transfers In	0	15,801	15,801	0
Total Other Financing Sources (Uses)	<u>1,850,000</u>	<u>1,865,801</u>	<u>15,801</u>	<u>(1,850,000)</u>
Net Change in Fund Balance	(180,765)	(110,706)	(342,644)	(231,938)
Fund Balance at Beginning of Year	671,517	671,517	671,517	0
Prior Year Encumbrances	380,335	380,335	380,335	0
Fund Balance at End of Year	<u>\$ 871,087</u>	<u>\$ 941,146</u>	<u>\$ 709,208</u>	<u>\$ (231,938)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

REFUSE FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 4,491,000	\$ 4,491,000	\$ 4,509,091	\$ 18,091
All Other Revenue	73,000	125,519	124,097	(1,422)
Total Revenues	<u>4,564,000</u>	<u>4,616,519</u>	<u>4,633,188</u>	<u>16,669</u>
Expenditures:				
Basic Utility Services:				
Personal Services	794,601	904,601	896,676	7,925
Other Expenditures	4,074,977	4,553,518	4,464,310	89,208
Total Expenditures	<u>4,869,578</u>	<u>5,458,119</u>	<u>5,360,986</u>	<u>97,133</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(305,578)	(841,600)	(727,798)	113,802
Other Financing Sources (Uses):				
Transfers In	0	1,020	1,021	1
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,020</u>	<u>1,021</u>	<u>1</u>
Net Change in Fund Balance	(305,578)	(840,580)	(726,777)	113,803
Fund Balance at Beginning of Year	1,709,044	1,709,044	1,709,044	0
Prior Year Encumbrances	28,682	28,682	28,682	0
Fund Balance at End of Year	<u>\$ 1,432,148</u>	<u>\$ 897,146</u>	<u>\$ 1,010,949</u>	<u>\$ 113,803</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

STREET MAINTENANCE FUND				Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 2,460,000	\$ 2,685,000	\$ 3,123,513	\$ 438,513
Charges for Services	170,000	170,000	186,120	16,120
Licenses and Permits	390,000	390,000	401,928	11,928
Investment Earnings	3,000	3,000	11,840	8,840
All Other Revenue	11,000	11,000	6,280	(4,720)
Total Revenues	<u>3,034,000</u>	<u>3,259,000</u>	<u>3,729,681</u>	<u>470,681</u>
Expenditures:				
Transportation:				
Personal Services	1,377,595	1,439,146	1,439,144	2
Other Expenditures	1,667,378	1,924,883	1,807,454	117,429
Total Expenditures	<u>3,044,973</u>	<u>3,364,029</u>	<u>3,246,598</u>	<u>117,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,973)	(105,029)	483,083	588,112
Other Financing Sources (Uses):				
Transfers In	0	36,094	36,095	1
Transfers Out	(200,000)	(425,000)	(425,000)	0
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(388,906)</u>	<u>(388,905)</u>	<u>1</u>
Net Change in Fund Balance	(210,973)	(493,935)	94,178	588,113
Fund Balance at Beginning of Year	539,118	539,118	539,118	0
Prior Year Encumbrances	68,227	68,227	68,227	0
Fund Balance at End of Year	<u>\$ 396,372</u>	<u>\$ 113,410</u>	<u>\$ 701,523</u>	<u>\$ 588,113</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

LAND REUTILIZATION FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Community Environment:				
Personal Services	57,850	65,850	60,454	5,396
Other Expenditures	20,925	20,000	15,455	4,545
Total Expenditures	78,775	85,850	75,909	9,941
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,775)	(85,850)	(75,909)	9,941
Other Financing Sources (Uses):				
Sale of Capital Assets	5,000	5,000	0	(5,000)
Transfers In	65,000	65,000	65,000	0
Total Other Financing Sources (Uses)	70,000	70,000	65,000	(5,000)
Net Change in Fund Balance	(8,775)	(15,850)	(10,909)	4,941
Fund Balance at Beginning of Year	30,428	30,428	30,428	0
Prior Year Encumbrances	925	925	925	0
Fund Balance at End of Year	<u>\$ 22,578</u>	<u>\$ 15,503</u>	<u>\$ 20,444</u>	<u>\$ 4,941</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

HOME PROGRAM FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,175,234	\$ 999,820	\$ 265,372	\$ (734,448)
All Other Revenue	71,636	146,636	5,044	(141,592)
Total Revenues	1,246,870	1,146,456	270,416	(876,040)
Expenditures:				
Community Environment:				
Personal Services	25,830	42,435	15,084	27,351
Other Expenditures	1,234,093	1,672,702	302,486	1,370,216
Total Expenditures	1,259,923	1,715,137	317,570	1,397,567
Net Change in Fund Balance	(13,053)	(568,681)	(47,154)	521,527
Fund Balance at Beginning of Year	128,014	128,014	128,014	0
Fund Balance at End of Year	\$ 114,961	\$ (440,667)	\$ 80,860	\$ 521,527

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

	PARKING FUND			Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues:				
Charges for Services	\$ 319,000	\$ 319,000	\$ 305,858	\$ (13,142)
Investment Earnings	3,000	3,000	3,074	74
All Other Revenue	4,000	4,000	6,070	2,070
Total Revenues	<u>326,000</u>	<u>326,000</u>	<u>315,002</u>	<u>(10,998)</u>
Expenditures:				
Transportation:				
Personal Services	167,711	122,711	118,232	4,479
Other Expenditures	230,208	307,644	303,737	3,907
Debt Service:				
Principal Retirement	100,000	100,000	100,000	0
Interest and Fiscal Charges	78,000	78,000	77,559	441
Total Expenditures	<u>575,919</u>	<u>608,355</u>	<u>599,528</u>	<u>8,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(249,919)	(282,355)	(284,526)	(2,171)
Other Financing Sources (Uses):				
Transfers In	153,000	156,454	156,013	(441)
Total Other Financing Sources (Uses)	<u>153,000</u>	<u>156,454</u>	<u>156,013</u>	<u>(441)</u>
Net Change in Fund Balance	(96,919)	(125,901)	(128,513)	(2,612)
Fund Balance at Beginning of Year	118,324	118,324	118,324	0
Prior Year Encumbrances	30,078	30,078	30,078	0
Fund Balance at End of Year	<u>\$ 51,483</u>	<u>\$ 22,501</u>	<u>\$ 19,889</u>	<u>\$ (2,612)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

GOLF COURSE FUND				Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues:				
Charges for Services	\$ 1,110,000	\$ 1,110,000	\$ 1,056,047	\$ (53,953)
Investment Earnings	2,500	2,500	4,487	1,987
All Other Revenue	800	81,278	86,299	5,021
Total Revenues	<u>1,113,300</u>	<u>1,193,778</u>	<u>1,146,833</u>	<u>(46,945)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	503,062	534,062	514,252	19,810
Other Expenditures	683,546	722,069	619,248	102,821
Debt Service:				
Principal Retirement	7,756	7,756	7,756	0
Interest and Fiscal Charges	4,911	4,911	4,904	7
Total Expenditures	<u>1,199,275</u>	<u>1,268,798</u>	<u>1,146,160</u>	<u>122,638</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,975)	(75,020)	673	75,693
Other Financing Sources (Uses):				
Transfers In	12,667	21,345	19,210	(2,135)
Total Other Financing Sources (Uses)	<u>12,667</u>	<u>21,345</u>	<u>19,210</u>	<u>(2,135)</u>
Net Change in Fund Balance	(73,308)	(53,675)	19,883	73,558
Fund Balance at Beginning of Year	182,967	182,967	182,967	0
Prior Year Encumbrances	46,666	46,666	46,666	0
Fund Balance at End of Year	<u>\$ 156,325</u>	<u>\$ 175,958</u>	<u>\$ 249,516</u>	<u>\$ 73,558</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2019***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
Revenues:				
Intergovernmental Revenues	\$ 1,400,441	\$ 2,514,459	\$ 1,036,731	\$ (1,477,728)
Investment Earnings	0	500	333	(167)
All Other Revenue	74,980	349,980	94,713	(255,267)
Total Revenues	<u>1,475,421</u>	<u>2,864,939</u>	<u>1,131,777</u>	<u>(1,733,162)</u>
Expenditures:				
Community Environment:				
Personal Services	202,584	387,981	147,336	240,645
Other Expenditures	1,389,016	3,104,001	1,051,448	2,052,553
Total Expenditures	<u>1,591,600</u>	<u>3,491,982</u>	<u>1,198,784</u>	<u>2,293,198</u>
Net Change in Fund Balance	(116,179)	(627,043)	(67,007)	560,036
Fund Balance at Beginning of Year	<u>116,817</u>	<u>116,817</u>	<u>116,817</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 638</u>	<u>\$ (510,226)</u>	<u>\$ 49,810</u>	<u>\$ 560,036</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019***

HAMILTON CAPITAL IMPROVEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 2,660,000	\$ 2,660,000	\$ 2,875,550	\$ 215,550
Intergovernmental Revenues	560,000	591,300	589,446	(1,854)
All Other Revenue	10,000	10,000	43,765	33,765
Total Revenues	<u>3,230,000</u>	<u>3,261,300</u>	<u>3,508,761</u>	<u>247,461</u>
Expenditures:				
Capital Outlay	8,649,533	2,691,995	2,310,716	381,279
Debt Service:				
Principal Retirement	3,500,000	1,100,000	1,100,000	0
Interest and Fiscal Charges	<u>0</u>	<u>2,376</u>	<u>2,376</u>	<u>0</u>
Total Expenditures	<u>12,149,533</u>	<u>3,794,371</u>	<u>3,413,092</u>	<u>381,279</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,919,533)	(533,071)	95,669	628,740
Other Financing Sources (Uses):				
Sale of Capital Assets	5,000	5,000	157,638	152,638
Note Issuance	10,000,000	0	0	0
Transfers In	0	654,427	154,427	(500,000)
Transfers Out	<u>(1,933,667)</u>	<u>(1,933,667)</u>	<u>(1,793,850)</u>	<u>139,817</u>
Total Other Financing Sources (Uses)	<u>8,071,333</u>	<u>(1,274,240)</u>	<u>(1,481,785)</u>	<u>(207,545)</u>
Net Change in Fund Balance	(848,200)	(1,807,311)	(1,386,116)	421,195
Fund Balance at Beginning of Year	2,178,253	2,178,253	2,178,253	0
Prior Year Encumbrances	<u>162,533</u>	<u>162,533</u>	<u>162,533</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,492,586</u>	<u>\$ 533,475</u>	<u>\$ 954,670</u>	<u>\$ 421,195</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019***

SPECIAL ASSESSMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 500,000	\$ 500,000	\$ 556,089	\$ 56,089
Total Revenues	500,000	500,000	556,089	56,089
Expenditures:				
Capital Outlay	839,928	839,928	823,273	16,655
Total Expenditures	839,928	839,928	823,273	16,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	(339,928)	(339,928)	(267,184)	72,744
Other Financing Sources (Uses):				
Transfers Out	(299,000)	(299,000)	(296,926)	2,074
Advances In	2,121,000	2,121,000	942,000	(1,179,000)
Advances Out	(942,000)	(942,000)	(942,000)	0
Total Other Financing Sources (Uses)	880,000	880,000	(296,926)	(1,176,926)
Net Change in Fund Balance	540,072	540,072	(564,110)	(1,104,182)
Fund Balance at Beginning of Year	435,916	435,916	435,916	0
Prior Year Encumbrances	239,928	239,928	239,928	0
Fund Balance at End of Year	\$ 1,215,916	\$ 1,215,916	\$ 111,734	\$ (1,104,182)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Property and Other Local Taxes	\$ 1,089,200	\$ 1,137,944	\$ 1,109,612	\$ (28,332)
Total Revenues	<u>1,089,200</u>	<u>1,137,944</u>	<u>1,109,612</u>	<u>(28,332)</u>
Expenditures:				
Capital Outlay	<u>1,737,204</u>	<u>791,099</u>	<u>783,395</u>	<u>7,704</u>
Total Expenditures	<u>1,737,204</u>	<u>791,099</u>	<u>783,395</u>	<u>7,704</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(648,004)	346,845	326,217	(20,628)
Other Financing Sources (Uses):				
Transfers In	181,000	181,000	77,456	(103,544)
Transfers Out	<u>(550,790)</u>	<u>(1,610,550)</u>	<u>(1,520,450)</u>	<u>90,100</u>
Total Other Financing Sources (Uses)	<u>(369,790)</u>	<u>(1,429,550)</u>	<u>(1,442,994)</u>	<u>(13,444)</u>
Net Change in Fund Balance	(1,017,794)	(1,082,705)	(1,116,777)	(34,072)
Fund Balance at Beginning of Year	1,324,543	1,324,543	1,324,543	0
Prior Year Encumbrances	<u>17,794</u>	<u>17,794</u>	<u>17,794</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 324,543</u>	<u>\$ 259,632</u>	<u>\$ 225,560</u>	<u>\$ (34,072)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 10,000,000	\$ 0	\$ (10,000,000)
Total Revenues	<u>0</u>	<u>10,000,000</u>	<u>0</u>	<u>(10,000,000)</u>
Expenditures:				
Capital Outlay	<u>0</u>	<u>25,135,000</u>	<u>15,139,989</u>	<u>9,995,011</u>
Total Expenditures	<u>0</u>	<u>25,135,000</u>	<u>15,139,989</u>	<u>9,995,011</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(15,135,000)	(15,139,989)	(4,989)
Other Financing Sources (Uses):				
Sale of Capital Assets	<u>0</u>	<u>15,135,000</u>	<u>15,139,989</u>	<u>4,989</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>15,135,000</u>	<u>15,139,989</u>	<u>4,989</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,150,000	\$ 1,150,000	\$ 1,672,333	\$ 522,333
Total Revenues	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,672,333</u>	<u>522,333</u>
Expenditures:				
Capital Outlay	1,150,000	1,150,000	1,672,333	(522,333)
Total Expenditures	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,672,333</u>	<u>(522,333)</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HAMILTON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2019**

INFRASTRUCTURE PROGRAM FUND				Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,250,000	\$ 1,250,000	\$ 1,610,951	\$ 360,951
All Other Revenue	0	1,315,000	1,265,751	(49,249)
Total Revenues	<u>1,250,000</u>	<u>2,565,000</u>	<u>2,876,702</u>	<u>311,702</u>
Expenditures:				
Capital Outlay	3,036,324	3,679,765	3,614,112	65,653
Total Expenditures	<u>3,036,324</u>	<u>3,679,765</u>	<u>3,614,112</u>	<u>65,653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,786,324)	(1,114,765)	(737,410)	377,355
Other Financing Sources (Uses):				
Transfers In	1,344,790	1,569,790	1,505,050	(64,740)
Transfers Out	(236,000)	(251,000)	(247,092)	3,908
Total Other Financing Sources (Uses)	<u>1,108,790</u>	<u>1,318,790</u>	<u>1,257,958</u>	<u>(60,832)</u>
Net Change in Fund Balance	(677,534)	204,025	520,548	316,523
Fund Balance at Beginning of Year	155,780	155,780	155,780	0
Prior Year Encumbrances	675,324	675,324	675,324	0
Fund Balance at End of Year	<u>\$ 153,570</u>	<u>\$ 1,035,129</u>	<u>\$ 1,351,652</u>	<u>\$ 316,523</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Fund
For the Year Ended December 31, 2019***

BENNINGHOFEN TRUST FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Investment Earnings	\$ 1,000	\$ 1,410	\$ 1,501	\$ 91
Total Revenues	<u>1,000</u>	<u>1,410</u>	<u>1,501</u>	<u>91</u>
Expenditures:				
General Government:				
Other Expenditures	<u>1,000</u>	<u>1,410</u>	<u>1,410</u>	<u>0</u>
Total Expenditures	<u>1,000</u>	<u>1,410</u>	<u>1,410</u>	<u>0</u>
Net Change in Fund Balance	0	0	91	91
Fund Balance at Beginning of Year	<u>75,330</u>	<u>75,330</u>	<u>75,330</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 75,330</u>	<u>\$ 75,330</u>	<u>\$ 75,421</u>	<u>\$ 91</u>

Internal Service Funds

Internal Service Funds are used to account for financing goods or services provided by one activity to other activities of the City on a cost-reimbursement basis.

Fleet Maintenance Fund

To account for revenues and expenses associated with the maintenance of the City's motor transport equipment.

Central Services Fund

To account for revenues and expenses associated with interdepartmental charges for the costs of certain goods or services.

CITY OF HAMILTON, OHIO

**Combining Statement of Net Position
Internal Service Funds
December 31, 2019**

	Fleet Maintenance	Central Services	Total
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 200,313	\$ 148,504	\$ 348,817
Inventory of Supplies at Cost	21,881	0	21,881
Total Current Assets	<u>222,194</u>	<u>148,504</u>	<u>370,698</u>
Noncurrent Assets:			
Depreciable Capital Assets, Net	19,267	0	19,267
Total Assets	<u>241,461</u>	<u>148,504</u>	<u>389,965</u>
Deferred Outflows of Resources:			
Pension	374,170	2,218,359	2,592,529
OPEB	56,903	334,288	391,191
Total Deferred Outflows of Resources	<u>431,073</u>	<u>2,552,647</u>	<u>2,983,720</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	233,140	350,263	583,403
Accrued Wages and Benefits	35,791	193,888	229,679
Intergovernmental Payable	9,591	55,758	65,349
Compensated Absences Payable - Current	52,642	287,693	340,335
Total Current Liabilities	<u>331,164</u>	<u>887,602</u>	<u>1,218,766</u>
Noncurrent Liabilities:			
Compensated Absences Payable	43,797	151,687	195,484
Net Pension Liability	1,211,513	7,202,600	8,414,113
Net OPEB Liability	584,168	3,472,953	4,057,121
Total Noncurrent Liabilities	<u>1,839,478</u>	<u>10,827,240</u>	<u>12,666,718</u>
Total Liabilities	<u>2,170,642</u>	<u>11,714,842</u>	<u>13,885,484</u>
Deferred Inflows of Resources:			
Pension	15,907	94,575	110,482
OPEB	1,585	9,423	11,008
Total Deferred Inflows of Resources	<u>17,492</u>	<u>103,998</u>	<u>121,490</u>
Net Position:			
Investment in Capital Assets	19,267	0	19,267
Unrestricted	(1,534,867)	(9,117,689)	(10,652,556)
Total Net Position	<u>\$ (1,515,600)</u>	<u>\$ (9,117,689)</u>	<u>\$ (10,633,289)</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2019***

	Fleet Maintenance	Central Services	Total
Operating Revenues:			
Charges for Services	\$ 2,754,548	\$ 8,882,663	\$ 11,637,211
Other Operating Revenues	22,769	0	22,769
Total Operating Revenues	<u>2,777,317</u>	<u>8,882,663</u>	<u>11,659,980</u>
Operating Expenses:			
Personal Services	1,071,466	6,468,098	7,539,564
Contractual Services	364,175	2,667,889	3,032,064
Materials and Supplies	1,294,766	681,858	1,976,624
Depreciation	9,036	0	9,036
Other Operating Expenses	276,685	97,381	374,066
Total Operating Expenses	<u>3,016,128</u>	<u>9,915,226</u>	<u>12,931,354</u>
Operating Loss	(238,811)	(1,032,563)	(1,271,374)
Nonoperating Revenues (Expenses):			
Investment Earnings	1,522	(1,022)	500
Total Nonoperating Revenues (Expenses)	<u>1,522</u>	<u>(1,022)</u>	<u>500</u>
Change in Net Position	(237,289)	(1,033,585)	(1,270,874)
Net Position Beginning of Year	(1,278,311)	(8,084,104)	(9,362,415)
Net Position End of Year	<u>\$ (1,515,600)</u>	<u>\$ (9,117,689)</u>	<u>\$ (10,633,289)</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2019***

	Fleet Maintenance	Central Services	Total
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,777,317	\$8,882,663	\$11,659,980
Cash Payments for Goods and Services	(1,854,791)	(3,273,520)	(5,128,311)
Cash Payments for Employees	(960,785)	(5,231,771)	(6,192,556)
Net Cash Provided (Used) by Operating Activities	<u>(38,259)</u>	<u>377,372</u>	<u>339,113</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Advances Out to Other Funds	0	(227,846)	(227,846)
Net Cash Used by Noncapital Financing Activities	<u>0</u>	<u>(227,846)</u>	<u>(227,846)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	1,522	(1,022)	500
Net Cash Provided (Used) by Investing Activities	<u>1,522</u>	<u>(1,022)</u>	<u>500</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(36,737)	148,504	111,767
Cash and Cash Equivalents at Beginning of Year	237,050	0	237,050
Cash and Cash Equivalents at End of Year	<u>\$200,313</u>	<u>\$148,504</u>	<u>\$348,817</u>
<u>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Loss	(\$238,811)	(\$1,032,563)	(\$1,271,374)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	9,036	0	9,036
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Inventory	8,907	0	8,907
Increase in Deferred Outflows of Resources	(148,189)	(973,014)	(1,121,203)
Increase in Accounts Payable	72,221	180,656	252,877
Increase in Accrued Wages and Benefits	12,799	103,901	116,700
Increase in Intergovernmental Payable	7,301	42,856	50,157
Decrease in Compensated Absences	(31,157)	(103,307)	(134,464)
Increase in Net Pension Liability	435,604	2,869,906	3,305,510
Increase in Net OPEB Liability	40,807	438,813	479,620
Decrease in Deferred Inflows of Resources	(206,777)	(1,149,876)	(1,356,653)
Total Adjustments	<u>200,552</u>	<u>1,409,935</u>	<u>1,610,487</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$38,259)</u>	<u>\$377,372</u>	<u>\$339,113</u>

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Custodial Funds

Rounding Up Utility Account Fund

To account for voluntary contributions from citizens and/or organizations within the City to assist elderly, needy and disabled utility customers with utility charges incurred.

Butler County Annexation Tax Fund

To account for income taxes obtained from a special annexation of property contiguous to Hamilton.

Joint Economic Development District (JEDD) Fund

To account for the receipt and disbursement of income tax revenue pursuant to The Joint Economic Development District Agreement with Indian Springs/ Fairfield Township.

Municipal Court Fund

To account for funds that flow through the Municipal Court office.

Police Property Room Forfeiture Fund

To account for the receipt of items remaining in the custody of the Police Department. The City will hold the items for a certain period of time at which they will be auctioned or disposed.

CITY OF HAMILTON, OHIO

**Combining Statement of Net Position
Custodial Funds
December 31, 2019**

	<u>Rounding Up Utility Account</u>	<u>Butler County Annexation Tax</u>	<u>JEDD</u>
Assets:			
Equity in Pooled Cash and Investments	\$ 1,706	\$ 141,699	\$ 82,798
Total Assets	<u>1,706</u>	<u>141,699</u>	<u>82,798</u>
Liabilities:			
Intergovernmental Payable	0	141,699	82,798
Due to Others	1,706	0	0
Total Liabilities	<u>1,706</u>	<u>141,699</u>	<u>82,798</u>
Net Position:			
Restricted For:			
Individuals and Other Governments	0	0	0
Total Net Position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Net Position
Custodial Funds
December 31, 2019***

	<u>Municipal Court</u>	<u>Police Property Room</u>	<u>Total Custodial Funds</u>
Assets:			
Equity in Pooled Cash and Investments	\$ 114,887	\$ 246,575	\$ 587,665
Total Assets	<u>114,887</u>	<u>246,575</u>	<u>587,665</u>
Liabilities:			
Intergovernmental Payable	114,887	0	339,384
Due to Others	0	373	2,079
Total Liabilities	<u>114,887</u>	<u>373</u>	<u>341,463</u>
Net Position:			
Restricted For:			
Individuals and Other Governments	0	246,202	246,202
Total Net Position	<u>\$ 0</u>	<u>\$ 246,202</u>	<u>\$ 246,202</u>

CITY OF HAMILTON, OHIO

**Combining Statement of Changes in Net Position
Custodial Funds
For the Year Ended December 31, 2019**

	Rounding Up Utility Account	Butler County Annexation Tax	JEDD
Additions:			
Fines and Forfeiture Collections for Other Governments	\$ 0	\$ 0	\$ 0
Contributions Received for Others	6,466	0	0
Income Tax Collections for Other Governments	0	187,143	532,467
Receipt of Seized Property Held for Others	0	0	0
Total Additions	<u>6,466</u>	<u>187,143</u>	<u>532,467</u>
Deductions:			
Distribution of Fines and Forfeitures to Other Governments	0	0	0
Distribution of Contributions Received for Others	6,466	0	0
Distribution of Income Taxes to Other Governments	0	187,143	532,467
Distribution of Seized Property Held for Others	0	0	0
Total Deductions	<u>6,466</u>	<u>187,143</u>	<u>532,467</u>
Change in Net Position	0	0	0
Net Position at Beginning of Year - Restated	<u>0</u>	<u>0</u>	<u>0</u>
Net Position End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HAMILTON, OHIO

**Combining Statement of Changes in Net Position
Custodial Funds
For the Year Ended December 31, 2019**

	<u>Municipal Court</u>	<u>Police Property Room</u>	<u>Total Custodial Funds</u>
Additions:			
Fines and Forfeiture Collections for Other Governments	\$ 2,150,432	\$ 0	\$ 2,150,432
Contributions Received for Others	0	0	6,466
Income Tax Collections for Other Governments	0	0	719,610
Receipt of Seized Property Held for Others	0	87,219	87,219
Total Additions	<u>2,150,432</u>	<u>87,219</u>	<u>2,963,727</u>
Deductions:			
Distribution of Fines and Forfeitures to Other Governments	2,150,432	0	2,150,432
Distribution of Contributions Received for Others	0	0	6,466
Distribution of Income Taxes to Other Governments	0	0	719,610
Distribution of Seized Property Held for Others	0	97,001	97,001
Total Deductions	<u>2,150,432</u>	<u>97,001</u>	<u>2,973,509</u>
Change in Net Position	0	(9,782)	(9,782)
Net Position at Beginning of Year - Restated	<u>0</u>	<u>255,984</u>	<u>255,984</u>
Net Position End of Year	<u>\$ 0</u>	<u>\$ 246,202</u>	<u>\$ 246,202</u>



STATISTICAL SECTION





STATISTICAL TABLES

This part of the City’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.

Contents

Financial Trends	S 2 – S 21
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 22 – S 34
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue sources, the income tax and property tax.	
Debt Capacity	S 35 – S 47
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.	
Economic and Demographic Information	S 48 – S 51
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 52 – S 65
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 and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

CITY OF HAMILTON, OHIO

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	2010	* 2011	2012	* 2013
Governmental Activities:				
Net Investment in Capital Assets	\$62,373,720	\$61,265,974	\$60,330,073	\$64,612,820
Restricted	14,372,832	12,456,507	9,033,196	9,974,060
Unrestricted (Deficit)	1,391,246	10,738,609	13,796,160	12,148,592
Total Governmental Activities Net Position	<u>\$78,137,798</u>	<u>\$84,461,090</u>	<u>\$83,159,429</u>	<u>\$86,735,472</u>
Business-type Activities:				
Net Investment in Capital Assets	\$96,155,478	\$92,584,709	\$88,211,121	\$101,543,663
Restricted	19,220,759	21,542,104	20,539,704	20,759,192
Unrestricted	41,348,470	45,878,883	53,287,953	44,971,490
Total Business-type Activities Net Position	<u>\$156,724,707</u>	<u>\$160,005,696</u>	<u>\$162,038,778</u>	<u>\$167,274,345</u>
Primary Government:				
Net Investment in Capital Assets	\$158,529,198	\$153,850,683	\$148,541,194	\$166,156,483
Restricted	33,593,591	33,998,611	29,572,900	30,733,252
Unrestricted	42,739,716	56,617,492	67,084,113	57,120,082
Total Primary Government Net Position	<u>\$234,862,505</u>	<u>\$244,466,786</u>	<u>\$245,198,207</u>	<u>\$254,009,817</u>

* Restated

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	*	*	
	2014	2015	2016
Governmental Activities:			
Net Investment in Capital Assets	\$68,592,556	\$66,544,600	\$74,591,613
Restricted	6,720,442	8,178,159	6,212,366
Unrestricted (Deficit)	(25,249,747)	(28,081,791)	(34,082,733)
Total Governmental Activities Net Position	<u>\$50,063,251</u>	<u>\$46,640,968</u>	<u>\$46,721,246</u>
Business-type Activities:			
Net Investment in Capital Assets	\$107,423,550	\$100,463,100	\$196,783,938
Restricted	21,622,744	18,235,929	18,131,101
Unrestricted	24,981,821	29,658,800	62,635,431
Total Business-type Activities Net Position	<u>\$154,028,115</u>	<u>\$148,357,829</u>	<u>\$277,550,470</u>
Primary Government:			
Net Investment in Capital Assets	\$176,016,106	\$167,007,700	\$271,375,551
Restricted	28,343,186	26,414,088	24,343,467
Unrestricted	(267,926)	1,577,009	28,552,698
Total Primary Government Net Position	<u>\$204,091,366</u>	<u>\$194,998,797</u>	<u>\$324,271,716</u>

(continued)

CITY OF HAMILTON, OHIO

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	*	*	
	2017	2018	2019
Governmental Activities:			
Net Investment in Capital Assets	\$82,073,889	\$69,635,711	\$73,715,986
Restricted	7,132,718	5,676,645	9,554,467
Unrestricted (Deficit)	(82,974,765)	(73,211,626)	(49,812,247)
Total Governmental Activities Net Position	<u>\$6,231,842</u>	<u>\$2,100,730</u>	<u>\$33,458,206</u>
Business-type Activities:			
Net Investment in Capital Assets	\$196,590,931	\$191,875,521	\$192,842,977
Restricted	15,582,840	15,306,399	11,971,595
Unrestricted	33,762,003	29,137,499	28,861,306
Total Business-type Activities Net Position	<u>\$245,935,774</u>	<u>\$236,319,419</u>	<u>\$233,675,878</u>
Primary Government:			
Net Investment in Capital Assets	\$278,664,820	\$261,511,232	\$266,558,963
Restricted	22,715,558	20,983,044	21,526,062
Unrestricted	(49,212,762)	(44,074,127)	(20,950,941)
Total Primary Government Net Position	<u>\$252,167,616</u>	<u>\$238,420,149</u>	<u>\$267,134,084</u>

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2010	2011	2012
Expenses			
Governmental Activities:			
General Government	\$5,096,822	\$5,991,786	\$7,057,730
Security of Persons and Property	33,222,968	32,949,502	31,282,855
Leisure Time Activities	2,457,896	1,970,218	2,247,173
Community Environment	5,147,583	2,902,576	3,397,734
Basic Utility Services	6,106,116	6,150,598	5,809,490
Transportation	5,543,369	6,605,053	6,157,603
Public Health and Welfare Services	1,187,775	1,163,297	1,061,241
Interest and Fiscal Charges	1,604,305	1,596,931	1,439,838
<i>Total Governmental Activities Expenses</i>	<u>60,366,834</u>	<u>59,329,961</u>	<u>58,453,664</u>
Business-type Activities:			
Gas Utility	25,598,234	21,777,870	16,850,289
Electric Utility	65,413,730	61,257,197	60,661,556
Water Utility	16,425,257	14,968,676	14,909,166
Wastewater Utility	11,546,069	11,441,639	11,872,627
<i>Total Business-type Activities Expenses</i>	<u>118,983,290</u>	<u>109,445,382</u>	<u>104,293,638</u>
<i>Total Primary Government Expenses</i>	<u>\$179,350,124</u>	<u>\$168,775,343</u>	<u>\$162,747,302</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,596,250	\$3,233,683	\$3,345,900
Security of Persons and Property	3,032,170	3,356,743	3,678,374
Leisure Time Activities	924,335	741,400	1,122,766
Community Environment	675,986	575,603	806,118
Basic Utility Services	5,472,370	5,480,531	5,666,718
Transportation	802,245	737,819	698,865
Public Health and Welfare Services	265,739	248,189	237,768
Operating Grants and Contributions	7,464,150	6,122,577	6,402,940
Capital Grants and Contributions	2,204,021	2,800,483	1,138,969
<i>Total Governmental Activities Program Revenues</i>	<u>24,437,266</u>	<u>23,297,028</u>	<u>23,098,418</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2013	2014	2015
Expenses			
Governmental Activities:			
General Government	\$6,846,691	\$5,495,659	\$11,972,665
Security of Persons and Property	29,179,575	27,645,337	29,109,984
Leisure Time Activities	2,552,980	2,828,054	2,788,945
Community Environment	4,757,333	4,341,261	3,213,932
Basic Utility Services	5,696,920	6,088,052	6,779,008
Transportation	5,644,999	5,878,181	5,496,120
Public Health and Welfare Services	1,081,832	1,206,052	1,542,573
Interest and Fiscal Charges	973,805	992,213	1,075,144
<i>Total Governmental Activities Expenses</i>	<u>56,734,135</u>	<u>54,474,809</u>	<u>61,978,371</u>
Business-type Activities:			
Gas Utility	24,873,444	31,175,555	22,071,290
Electric Utility	57,515,509	64,245,951	65,637,974
Water Utility	14,605,296	13,741,329	14,563,899
Wastewater Utility	12,256,376	11,602,824	12,065,377
<i>Total Business-type Activities Expenses</i>	<u>109,250,625</u>	<u>120,765,659</u>	<u>114,338,540</u>
<i>Total Primary Government Expenses</i>	<u>\$165,984,760</u>	<u>\$175,240,468</u>	<u>\$176,316,911</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,315,895	\$3,252,331	\$3,183,357
Security of Persons and Property	2,804,466	2,963,747	3,055,722
Leisure Time Activities	1,200,984	1,284,944	1,209,724
Community Environment	746,272	611,630	456,883
Basic Utility Services	5,903,259	5,933,181	5,839,079
Transportation	645,653	591,655	659,797
Public Health and Welfare Services	253,046	232,987	222,113
Operating Grants and Contributions	8,740,661	5,925,099	5,584,899
Capital Grants and Contributions	1,573,747	1,973,789	2,880,774
<i>Total Governmental Activities Program Revenues</i>	<u>25,183,983</u>	<u>22,769,363</u>	<u>23,092,348</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2016	2017	2018
Expenses			
Governmental Activities:			
General Government	\$13,748,213	\$10,793,974	\$7,716,575
Security of Persons and Property	29,364,275	32,248,544	35,283,600
Leisure Time Activities	2,655,781	2,872,495	2,880,127
Community Environment	2,156,324	2,638,446	2,409,400
Basic Utility Services	5,986,601	6,692,126	7,500,327
Transportation	5,398,871	5,418,564	8,072,742
Public Health and Welfare Services	1,392,658	1,876,111	1,525,836
Interest and Fiscal Charges	1,136,751	1,142,343	1,383,549
<i>Total Governmental Activities Expenses</i>	<u>61,839,474</u>	<u>63,682,603</u>	<u>66,772,156</u>
Business-type Activities:			
Gas Utility	20,059,695	20,169,139	22,634,644
Electric Utility	73,482,880	85,518,469	86,543,649
Water Utility	14,948,562	16,234,311	15,631,654
Wastewater Utility	13,232,904	13,359,997	15,037,103
<i>Total Business-type Activities Expenses</i>	<u>121,724,041</u>	<u>135,281,916</u>	<u>139,847,050</u>
<i>Total Primary Government Expenses</i>	<u>\$183,563,515</u>	<u>\$198,964,519</u>	<u>\$206,619,206</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,666,535	\$4,154,625	\$4,132,094
Security of Persons and Property	3,195,876	3,323,603	3,355,144
Leisure Time Activities	1,098,407	1,128,081	1,084,312
Community Environment	789,256	333,476	473,146
Basic Utility Services	6,031,405	6,451,263	6,551,126
Transportation	683,059	859,246	846,517
Public Health and Welfare Services	224,444	213,411	224,750
Operating Grants and Contributions	4,469,691	4,556,837	3,508,525
Capital Grants and Contributions	3,186,797	3,504,621	2,800,741
<i>Total Governmental Activities Program Revenues</i>	<u>23,345,470</u>	<u>24,525,163</u>	<u>22,976,355</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	<u>2019</u>
Expenses	
Governmental Activities:	
General Government	\$8,781,340
Security of Persons and Property	4,871,606
Leisure Time Activities	3,182,781
Community Environment	2,644,798
Basic Utility Services	8,728,161
Transportation	8,140,992
Public Health and Welfare Services	1,418,978
Interest and Fiscal Charges	2,155,256
<i>Total Governmental Activities Expenses</i>	<u>39,923,912</u>
Business-type Activities:	
Gas Utility	21,001,035
Electric Utility	84,314,775
Water Utility	16,724,324
Wastewater Utility	13,779,455
<i>Total Business-type Activities Expenses</i>	<u>135,819,589</u>
<i>Total Primary Government Expenses</i>	<u><u>\$175,743,501</u></u>
 Program Revenues	
Governmental Activities:	
Charges for Services	
General Government	\$4,929,109
Security of Persons and Property	3,255,130
Leisure Time Activities	1,064,951
Community Environment	861,033
Basic Utility Services	7,098,064
Transportation	909,805
Public Health and Welfare Services	238,566
Operating Grants and Contributions	6,358,220
Capital Grants and Contributions	3,881,170
<i>Total Governmental Activities Program Revenues</i>	<u>28,596,048</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2010	2011	2012
Business-type Activities:			
Charges for Services			
Gas Utility	26,793,820	21,930,366	16,574,138
Electric Utility	64,552,173	63,327,834	62,172,965
Water Utility	14,815,360	14,948,140	14,749,579
Wastewater Utility	11,203,887	12,302,310	12,068,156
Operating Grants and Contributions	0	0	0
Capital Grants and Contributions	652,642	40,500	200,000
<i>Total Business-type Activities Program Revenues</i>	<u>118,017,882</u>	<u>112,549,150</u>	<u>105,764,838</u>
<i>Total Primary Government Program Revenues</i>	<u>142,455,148</u>	<u>135,846,178</u>	<u>128,863,256</u>
Net (Expense)/Revenue			
Governmental Activities	(35,929,568)	(36,032,933)	(35,355,246)
Business-type Activities	(965,408)	3,103,768	1,471,200
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$36,894,976)</u>	<u>(\$32,929,165)</u>	<u>(\$33,884,046)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$22,230,625	\$21,912,270	\$21,259,474
Property and Other Local Taxes	9,142,263	9,024,254	8,969,655
Intergovernmental, Unrestricted	5,674,578	10,357,132	3,112,982
Investment Earnings	100,931	98,396	76,967
Miscellaneous	1,184,131	964,173	913,202
Transfers	0	0	(278,695)
<i>Total Governmental Activities</i>	<u>38,332,528</u>	<u>42,356,225</u>	<u>34,053,585</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	25,222	2,086	0
Investment Earnings	392,067	275,171	283,187
Transfers	0	0	278,695
Special Items	3,888,044	0	0
<i>Total Business-type Activities</i>	<u>4,305,333</u>	<u>277,257</u>	<u>561,882</u>
<i>Total Primary Government</i>	<u>\$42,637,861</u>	<u>\$42,633,482</u>	<u>\$34,615,467</u>
Change in Net Position			
Governmental Activities	\$2,402,960	\$6,323,292	(\$1,301,661)
Business-type Activities	3,339,925	3,381,025	2,033,082
<i>Total Primary Government Change in Net Position</i>	<u>\$5,742,885</u>	<u>\$9,704,317</u>	<u>\$731,421</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2013	2014	2015
Business-type Activities:			
Charges for Services			
Gas Utility	24,742,117	29,369,479	21,979,425
Electric Utility	60,346,033	61,577,164	64,619,906
Water Utility	14,656,538	14,865,682	12,550,024
Wastewater Utility	11,779,979	12,037,408	11,821,865
Operating Grants and Contributions	0	0	0
Capital Grants and Contributions	0	713,516	0
<i>Total Business-type Activities Program Revenues</i>	<u>111,524,667</u>	<u>118,563,249</u>	<u>110,971,220</u>
<i>Total Primary Government Program Revenues</i>	<u>136,708,650</u>	<u>141,332,612</u>	<u>134,063,568</u>
Net (Expense)/Revenue			
Governmental Activities	(31,550,152)	(31,705,446)	(38,886,023)
Business-type Activities	2,274,042	(2,202,410)	(3,367,320)
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$29,276,110)</u>	<u>(\$33,907,856)</u>	<u>(\$42,253,343)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$22,310,512	\$23,354,264	\$24,852,412
Property and Other Local Taxes	8,961,444	8,709,596	8,959,287
Intergovernmental, Unrestricted	3,210,419	2,674,829	2,691,164
Investment Earnings	(69,511)	253,825	114,686
Miscellaneous	751,688	1,021,094	1,635,091
Transfers	0	0	(46,727)
<i>Total Governmental Activities</i>	<u>35,164,552</u>	<u>36,013,608</u>	<u>38,205,913</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	0	0	0
Investment Earnings	73,168	1,053,605	317,485
Transfers	0	0	46,727
Special Items	2,850,000	0	0
<i>Total Business-type Activities</i>	<u>2,923,168</u>	<u>1,053,605</u>	<u>364,212</u>
<i>Total Primary Government</i>	<u>\$38,087,720</u>	<u>\$37,067,213</u>	<u>\$38,570,125</u>
Change in Net Position			
Governmental Activities	\$3,614,400	\$4,308,162	(\$680,110)
Business-type Activities	5,197,210	(1,148,805)	(3,003,108)
<i>Total Primary Government Change in Net Position</i>	<u>\$8,811,610</u>	<u>\$3,159,357</u>	<u>(\$3,683,218)</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2016	2017	2018
Business-type Activities:			
Charges for Services			
Gas Utility	19,086,678	18,482,683	21,756,412
Electric Utility	66,319,492	70,567,830	79,889,209
Water Utility	13,088,389	13,390,954	13,904,531
Wastewater Utility	12,385,219	12,368,579	12,653,041
Operating Grants and Contributions	743,247	743,577	744,842
Capital Grants and Contributions	0	0	0
<i>Total Business-type Activities Program Revenues</i>	<u>111,623,025</u>	<u>115,553,623</u>	<u>128,948,035</u>
<i>Total Primary Government Program Revenues</i>	<u>134,968,495</u>	<u>140,078,786</u>	<u>151,924,390</u>
Net (Expense)/Revenue			
Governmental Activities	(38,494,004)	(39,157,440)	(43,795,801)
Business-type Activities	<u>(10,101,016)</u>	<u>(19,728,293)</u>	<u>(10,899,015)</u>
<i>Total Primary Government Net (Expense)/Revenue</i>	<u><u>(\$48,595,020)</u></u>	<u><u>(\$58,885,733)</u></u>	<u><u>(\$54,694,816)</u></u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$25,970,527	\$25,664,959	\$26,716,305
Property and Other Local Taxes	8,627,124	8,581,044	8,999,351
Intergovernmental, Unrestricted	2,342,386	2,206,014	2,281,996
Investment Earnings	28,749	196,209	314,480
Miscellaneous	1,605,496	1,509,998	1,198,278
Transfers	0	0	0
<i>Total Governmental Activities</i>	<u>38,574,282</u>	<u>38,158,224</u>	<u>39,510,410</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	2,952	0	0
Investment Earnings	290,705	781,792	1,282,660
Transfers	0	0	0
Special Items	139,000,000	0	0
<i>Total Business-type Activities</i>	<u>139,293,657</u>	<u>781,792</u>	<u>1,282,660</u>
<i>Total Primary Government</i>	<u><u>\$177,867,939</u></u>	<u><u>\$38,940,016</u></u>	<u><u>\$40,793,070</u></u>
Change in Net Position			
Governmental Activities	\$80,278	(\$999,216)	(\$4,285,391)
Business-type Activities	<u>129,192,641</u>	<u>(18,946,501)</u>	<u>(9,616,355)</u>
<i>Total Primary Government Change in Net Position</i>	<u><u>\$129,272,919</u></u>	<u><u>(\$19,945,717)</u></u>	<u><u>(\$13,901,746)</u></u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2019
Business-type Activities:	
Charges for Services	
Gas Utility	21,076,426
Electric Utility	81,730,855
Water Utility	14,747,917
Wastewater Utility	13,454,526
Operating Grants and Contributions	742,114
Capital Grants and Contributions	0
<i>Total Business-type Activities Program Revenues</i>	131,751,838
<i>Total Primary Government Program Revenues</i>	131,751,838
Net (Expense)/Revenue	
Governmental Activities	(11,327,864)
Business-type Activities	(4,067,751)
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$15,395,615)
General Revenues and Other Changes in Net Position	
Governmental Activities:	
Income Taxes	\$28,838,412
Property and Other Local Taxes	8,998,489
Intergovernmental, Unrestricted	2,742,242
Investment Earnings	773,556
Miscellaneous	1,332,641
Transfers	0
<i>Total Governmental Activities</i>	42,685,340
Business-type Activities:	
Other Local Taxes (kWh Tax)	0
Investment Earnings	1,424,210
Transfers	0
Special Items	0
<i>Total Business-type Activities</i>	1,424,210
<i>Total Primary Government</i>	\$44,109,550
Change in Net Position	
Governmental Activities	\$31,357,476
Business-type Activities	(2,643,541)
<i>Total Primary Government Change in Net Position</i>	\$28,713,935

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2010	2011	2012	2013 [*]
General Fund				
Nonspendable	\$0	\$212,005	\$150,276	\$157,427
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	0	1,586,391	2,797,712	2,591,073
Unassigned	0	10,108,616	7,014,183	8,272,712
Reserved	647,346	0	0	0
Unreserved	4,604,450	0	0	0
Total General Fund	5,251,796	11,907,012	9,962,171	11,021,212
All Other Governmental Funds				
Nonspendable	\$0	\$134,858	\$120,806	\$128,399
Restricted	0	10,764,914	7,315,026	14,833,337
Committed	0	3,035,715	3,592,878	4,031,504
Assigned	0	2,659,700	3,078,130	2,240,056
Unassigned	0	(972,421)	(498,843)	(473,703)
Reserved	2,588,395	0	0	0
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	7,632,072	0	0	0
Debt Service Funds	639,917	0	0	0
Capital Projects Funds	4,738,598	0	0	0
Total All Other Governmental Funds	15,598,982	15,622,766	13,607,997	20,759,593
Total Governmental Funds	\$20,850,778	\$27,529,778	\$23,570,168	\$31,780,805

(continued)

Source: City Records

* Restated

Note: The City implemented GASB 54 in 2011 which established new fund balance classifications for governmental funds.

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2014	2015	2016	2017
General Fund				
Nonspendable	\$257,910	\$273,120	\$270,135	\$241,555
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	3,513,033	2,027,119	1,598,710	2,141,318
Unassigned	7,986,708	11,602,256	7,267,975	5,504,248
Reserved	0	0	0	0
Unreserved	0	0	0	0
Total General Fund	11,757,651	13,902,495	9,136,820	7,887,121
All Other Governmental Funds				
Nonspendable	\$173,681	\$169,184	\$176,403	\$167,074
Restricted	9,753,522	5,294,588	2,748,424	3,607,737
Committed	4,492,651	4,386,446	4,438,845	3,901,117
Assigned	3,386,345	843,659	103,101	5,255
Unassigned	(98,694)	(36,116)	(391,739)	(5,155,483)
Reserved	0	0	0	0
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	0	0	0	0
Debt Service Funds	0	0	0	0
Capital Projects Funds	0	0	0	0
Total All Other Governmental Funds	17,707,505	10,657,761	7,075,034	2,525,700
Total Governmental Funds	\$29,465,156	\$24,560,256	\$16,211,854	\$10,412,821

(continued)

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	*	
	2018	2019
General Fund		
Nonspendable	\$272,307	\$228,832
Restricted	0	0
Committed	0	0
Assigned	3,735,047	3,123,241
Unassigned	12,462,795	13,689,068
Reserved	0	0
Unreserved	0	0
<i>Total General Fund</i>	<u>16,470,149</u>	<u>17,041,141</u>
All Other Governmental Funds		
Nonspendable	\$161,087	\$135,027
Restricted	2,621,820	6,157,749
Committed	3,893,237	3,382,530
Assigned	490,909	14,359,229
Unassigned	(2,900,490)	(650,864)
Reserved	0	0
Unreserved, Undesignated, Reported in:		
Special Revenue Funds	0	0
Debt Service Funds	0	0
Capital Projects Funds	0	0
<i>Total All Other Governmental Funds</i>	<u>4,266,563</u>	<u>23,383,671</u>
<i>Total Governmental Funds</i>	<u><u>\$20,736,712</u></u>	<u><u>\$40,424,812</u></u>

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2010	2011	2012	2013
Revenues:				
Taxes	\$31,926,401	\$30,848,001	\$30,240,129	\$30,392,344
Intergovernmental Revenues	15,353,253	19,480,722	10,997,434	13,552,982
Charges for Services	12,018,069	11,893,521	12,659,606	12,367,803
Licenses and Permits	1,026,594	857,177	981,700	935,844
Investment Earnings	100,931	98,396	76,967	(59,847)
Special Assessments	686,661	563,674	811,933	668,686
Fines and Forfeitures	1,017,725	1,066,910	1,130,278	821,866
All Other Revenue	1,226,936	964,173	913,202	751,688
Total Revenues	63,356,570	65,772,574	57,811,249	59,431,366
Expenditures:				
Current:				
General Government	3,965,793	5,089,992	6,121,906	6,456,639
Security of Persons and Property	31,574,695	30,807,813	30,141,708	27,840,266
Leisure Time Activities	2,202,403	1,662,185	1,973,297	2,731,042
Community Environment	5,013,534	2,754,638	3,315,185	4,639,097
Basic Utility Services	5,945,443	5,821,649	5,696,091	5,621,039
Transportation	3,336,713	3,924,752	3,762,769	3,496,658
Public Health and Welfare Services	1,219,842	1,115,975	1,035,886	1,042,523
Capital Outlay	4,383,743	6,762,309	5,461,124	6,069,186
Debt Service:				
Principal Retirement	2,425,000	2,485,000	2,695,000	2,365,000
Interest and Fiscal Charges	1,573,877	1,750,626	1,274,719	1,187,163
Total Expenditures	61,641,043	62,174,939	61,477,685	61,448,613
Excess (Deficiency) of Revenues Over Expenditures	1,715,527	3,597,635	(3,666,436)	(2,017,247)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2014	2015	2016	2017
Revenues:				
Taxes	\$31,793,857	\$33,637,684	\$34,425,266	\$34,475,333
Intergovernmental Revenues	10,403,668	10,354,357	10,075,259	10,152,144
Charges for Services	12,274,857	12,210,156	12,746,544	14,098,978
Licenses and Permits	1,036,845	1,018,831	1,086,953	1,110,347
Investment Earnings	253,825	114,686	28,749	196,209
Special Assessments	626,396	457,761	452,533	345,325
Fines and Forfeitures	947,713	944,175	1,063,974	923,483
All Other Revenue	1,021,094	1,635,091	1,880,496	1,509,998
Total Revenues	58,358,255	60,372,741	61,759,774	62,811,817
Expenditures:				
Current:				
General Government	4,599,445	5,203,607	10,186,194	7,066,643
Security of Persons and Property	26,527,614	26,548,711	27,434,430	28,794,336
Leisure Time Activities	2,406,632	2,427,067	2,318,248	2,536,998
Community Environment	4,195,166	3,004,125	2,162,524	2,406,167
Basic Utility Services	5,847,541	6,354,117	8,344,578	8,644,891
Transportation	3,761,881	3,161,989	4,109,609	3,226,018
Public Health and Welfare Services	1,144,033	1,455,638	1,398,872	1,679,277
Capital Outlay	8,688,731	14,304,429	11,282,845	12,560,558
Debt Service:				
Principal Retirement	2,405,000	2,559,963	3,208,002	12,215,116
Interest and Fiscal Charges	1,134,543	1,217,255	1,283,266	1,183,980
Total Expenditures	60,710,586	66,236,901	71,728,568	80,313,984
Excess (Deficiency) of Revenues Over Expenditures	(2,352,331)	(5,864,160)	(9,968,794)	(17,502,167)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2018</u>	<u>2019</u>
Revenues:		
Taxes	\$35,923,106	\$37,764,569
Intergovernmental Revenues	8,965,068	12,579,271
Charges for Services	13,941,420	14,943,430
Licenses and Permits	1,307,990	1,572,057
Investment Earnings	314,480	773,556
Special Assessments	613,095	753,092
Fines and Forfeitures	942,788	964,239
All Other Revenue	1,198,278	1,059,463
Total Revenues	<u>63,206,225</u>	<u>70,409,677</u>
Expenditures:		
Current:		
General Government	5,257,017	6,224,429
Security of Persons and Property	29,505,532	31,629,829
Leisure Time Activities	2,461,376	2,730,146
Community Environment	2,283,037	2,339,378
Basic Utility Services	7,196,824	8,087,683
Transportation	3,365,740	3,196,931
Public Health and Welfare Services	1,406,363	1,200,403
Capital Outlay	10,094,186	10,610,750
Debt Service:		
Principal Retirement	2,604,211	11,966,907
Interest and Fiscal Charges	1,296,558	1,648,529
Total Expenditures	<u>65,470,844</u>	<u>79,634,985</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,264,619)	(9,225,308)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2010	2011	2012	2013
Other Financing Sources (Uses):				
Sale of Capital Assets	0	49,451	418	115,852
Capital Lease Issuance	0	0	0	0
Ohio Water Development Authority Loans	0	0	0	0
Loan Issuance	0	0	0	9,500,000
Bonds and Notes Issued	0	2,535,000	0	0
Premium on General Obligation Bonds	0	1,709,955	0	0
Discount on General Obligation Bonds	0	0	0	0
Refunding Bonds Issued	0	18,360,000	0	0
Refunded Bonds Redeemed	0	(19,621,590)	0	0
Long Term Note Issuance	0	0	0	0
Transfers In	5,119,036	4,214,964	8,844,112	7,500,414
Transfers Out	(5,119,036)	(4,214,964)	(9,122,807)	(7,500,414)
Total Other Financing Sources (Uses)	<u>0</u>	<u>3,032,816</u>	<u>(278,277)</u>	<u>9,615,852</u>
Net Change in Fund Balance	<u>\$1,715,527</u>	<u>\$6,630,451</u>	<u>(\$3,944,713)</u>	<u>\$7,598,605</u>
Debt Service as a Percentage of Noncapital Expenditures	6.81%	7.22%	6.91%	6.30%

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2014	2015	2016	2017
Other Financing Sources (Uses):				
Sale of Capital Assets	29,359	65,721	15,336	22,411
Capital Lease Issuance	0	0	0	0
Ohio Water Development Authority Loans	0	0	1,592,766	0
Loan Issuance	0	700,000	0	1,427,128
Bonds and Notes Issued	0	0	0	1,196,214
Premium on General Obligation Bonds	0	0	0	0
Discount on General Obligation Bonds	0	0	0	0
Refunding Bonds Issued	0	0	0	23,141,416
Refunded Bonds Redeemed	0	0	0	(14,087,879)
Long Term Note Issuance	0	0	0	0
Transfers In	11,699,277	10,725,880	10,319,607	6,973,964
Transfers Out	(11,699,277)	(10,522,975)	(10,319,607)	(6,973,964)
Total Other Financing Sources (Uses)	<u>29,359</u>	<u>968,626</u>	<u>1,608,102</u>	<u>11,699,290</u>
Net Change in Fund Balance	<u>(\$2,322,972)</u>	<u>(\$4,895,534)</u>	<u>(\$8,360,692)</u>	<u>(\$5,802,877)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 6.59%	 6.78%	 7.50%	 19.58%

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2018</u>	<u>2019</u>
Other Financing Sources (Uses):		
Sale of Capital Assets	750,708	81,958
Capital Lease Issuance	0	24,860,000
Ohio Water Development Authority Loans	0	0
Loan Issuance	266,705	92,286
Bonds and Notes Issued	11,470,000	0
Premium on General Obligation Bonds	242	0
Discount on General Obligation Bonds	(54,429)	0
Refunding Bonds Issued	0	0
Refunded Bonds Redeemed	0	0
Long Term Note Issuance	0	3,893,340
Transfers In	14,002,163	7,534,399
Transfers Out	<u>(14,002,163)</u>	<u>(7,534,399)</u>
Total Other Financing Sources (Uses)	<u>12,433,226</u>	<u>28,927,584</u>
Net Change in Fund Balance	<u>\$10,168,607</u>	<u>\$19,702,276</u>
Debt Service as a Percentage of Noncapital Expenditures	6.60%	18.76%

CITY OF HAMILTON, OHIO

*Assessed Valuations and Estimated
True Values of Taxable Property
(per \$1,000 of assessed value)
Last Ten Years*

Tax Year	2010	2011	2012	2013
Real Property				
Assessed	\$900,434,690	\$889,863,130	\$822,899,950	\$805,839,810
Actual	2,572,670,543	2,542,466,086	2,351,142,714	2,302,399,457
Public Utility				
Assessed	2,461,240	5,891,190	5,798,610	4,726,410
Actual	2,461,240	5,891,190	5,798,610	4,726,410
Total				
Assessed	902,895,930	895,754,320	828,698,560	810,566,220
Actual	2,575,131,783	2,548,357,276	2,356,941,324	2,307,125,867
Assessed Value as a Percentage of Actual Value	35.06%	35.15%	35.16%	35.13%
Total Direct Tax Rate	\$7.16	\$6.81	\$6.81	\$6.81

Source: Butler County Auditor

(continued)

CITY OF HAMILTON, OHIO

*Assessed Valuations and Estimated
True Values of Taxable Property
(per \$1,000 of assessed value)
Last Ten Years*

Tax Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Real Property				
Assessed	\$753,521,500	\$747,624,230	\$744,751,530	\$789,655,500
Actual	2,152,918,571	2,136,069,229	2,127,861,514	2,256,158,571
Public Utility				
Assessed	4,763,000	4,937,810	5,062,790	5,309,340
Actual	4,763,000	4,937,810	5,062,790	5,309,340
Total				
Assessed	758,284,500	752,562,040	749,814,320	794,964,840
Actual	2,157,681,571	2,141,007,039	2,132,924,304	2,261,467,911
Assessed Value as a Percentage of Actual Value	35.14%	35.15%	35.15%	35.15%
Total Direct Tax Rate	\$6.81	\$6.81	\$6.81	\$6.81

(continued)

CITY OF HAMILTON, OHIO

*Assessed Valuations and Estimated
True Values of Taxable Property
(per \$1,000 of assessed value)
Last Ten Years*

Tax Year	<u>2018</u>	<u>2019</u>
Real Property		
Assessed	\$788,116,750	\$799,255,590
Actual	2,251,762,143	2,283,587,400
Public Utility		
Assessed	5,738,750	5,848,920
Actual	5,738,750	5,848,920
Total		
Assessed	793,855,500	805,104,510
Actual	2,257,500,893	2,289,436,320
Assessed Value as a Percentage of Actual Value	35.17%	35.17%
Total Direct Tax Rate	\$6.81	\$6.81

CITY OF HAMILTON, OHIO

*Property Tax Levies and Collections
Last Ten Calendar Years*

Calendar Year	2010	2011	2012	2013
Taxes Levied for the Calendar Year	\$6,159,369	\$5,808,362	\$5,459,714	\$5,409,302
Collected within the Calendar Year of the Levy				
Amount	5,755,139	5,449,604	5,152,127	5,042,759
Percent of Levy	93.44%	93.82%	94.37%	93.22%
Collections in Subsequent Years (1)	211,476	236,932	262,971	231,531
Total Collections to Date				
Amount	5,966,615	5,686,536	5,415,098	5,274,290
Percent of Levy	96.87%	97.90%	99.18%	97.50%

Source: County Auditor

(1) The County does not identify delinquent tax collections by tax year.

(continued)

CITY OF HAMILTON, OHIO

*Property Tax Levies and Collections
Last Ten Calendar Years*

Calendar Year	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Taxes Levied for the Calendar Year	\$5,349,390	\$5,091,799	\$5,060,320	\$5,046,008
Collected within the Calendar Year of the Levy				
Amount	5,043,851	4,837,997	4,845,600	4,847,791
Percent of Levy	94.29%	95.02%	95.76%	96.07%
Collections in Subsequent Years (1)	258,114	262,126	221,457	245,331
Total Collections to Date				
Amount	5,301,965	5,100,123	5,067,057	5,093,122
Percent of Levy	99.11%	100.16%	100.13%	100.93%

(continued)

CITY OF HAMILTON, OHIO

*Property Tax Levies and Collections
Last Ten Calendar Years*

Calendar Year	<u>2018</u>	<u>2019</u>
Taxes Levied for the Calendar Year	\$5,268,044	\$5,263,202
Collected within the Calendar Year of the Levy		
Amount	5,048,100	5,087,861
Percent of Levy	95.82%	96.67%
Collections in Subsequent Years (1)	237,315	253,409
Total Collections to Date		
Amount	5,285,415	5,341,270
Percent of Levy	100.33%	101.48%

CITY OF HAMILTON, OHIO

*Direct and Overlapping
Property Tax Rates
Last Ten Calendar Years*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Direct Rates					
General Fund	4.21	4.21	4.21	4.21	4.21
Police Pension Fund	0.30	0.30	0.30	0.30	0.30
Fire Pension Fund	0.30	0.30	0.30	0.30	0.30
Miami Conservancy Fund (1)	0.35	0.00	0.00	0.00	0.00
Police / Fire-EMS Levies	2.00	2.00	2.00	2.00	2.00
Total Direct Rate	<u>7.16</u>	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>
Overlapping Rates					
Hamilton City School District	53.42	53.42	53.42	53.61	55.61
Butler County	9.75	9.75	9.72	9.72	9.72

Source: County Auditor

(1) - Levied by the City for the benefit of the Miami Conservancy District.
Beginning in 2011 this is no longer levied.

Note: Rates may only be raised by obtaining the approval of a majority
of the voters at a public election.

(continued)

CITY OF HAMILTON, OHIO

*Direct and Overlapping
Property Tax Rates
Last Ten Calendar Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Direct Rates					
General Fund	4.21	4.21	4.21	4.21	4.21
Police Pension Fund	0.30	0.30	0.30	0.30	0.30
Fire Pension Fund	0.30	0.30	0.30	0.30	0.30
Miami Conservancy Fund (1)	0.00	0.00	0.00	0.00	0.00
Police / Fire-EMS Levies	2.00	2.00	2.00	2.00	2.00
Total Direct Rate	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>
Overlapping Rates					
Hamilton City School District	54.81	54.81	54.31	53.81	53.31
Butler County	9.72	9.72	9.72	9.72	9.72

CITY OF HAMILTON, OHIO

*Principal Property Tax Payers
Current Year and Nine Years Ago*

Tax Payer	Nature of Business	2019	
		Assessed Value	Percentage of Total Assessed Value
Bethesda Hospital	Healthcare	\$6,920,100	0.87%
Colonial Senior Services	Healthcare	5,452,900	0.69%
Pedcor Investments	Investments	4,648,790	0.59%
Marcum Apartments	Real Estate	4,072,230	0.51%
AHP Knollwood Crossing	Real Estate	3,770,670	0.47%
Shadow Creek Apartments	Real Estate	3,617,920	0.46%
Tippmann Realty	Real Estate	3,610,190	0.45%
Duke Energy	Utility	3,235,480	0.41%
Wish Village Apartments	Real Estate	3,157,690	0.40%
Meijer Stores	Retail	2,502,510	0.32%
	Sub-Total	40,988,480	5.17%
	All Others	764,116,030	94.83%
	Total	<u>\$805,104,510</u>	<u>100.00%</u>

Tax Payer	Nature of Business	2010	
		Assessed Value	Percentage of Total Assessed Value
Tippman Realty Partner LLC	Real Estate	\$6,321,070	0.70%
Shadow Creek Apartments LLC	Real Estate	5,126,050	0.57%
Colonial Senior Services Inc.	Healthcare	4,619,740	0.51%
AHP - Knollwood Crossings I LLC	Real Estate	4,403,310	0.49%
Pedcor Investments 2001 LXXII	Investments	4,006,940	0.44%
Hamilton Plaza LLC ETAL	Real Estate	3,444,120	0.38%
Hatteras Properties LTD	Real Estate	3,307,570	0.37%
VCG Hamilton Crossings LLC	Real Estate	3,079,320	0.34%
SD Country Walk Sub LLC	Real Estate	2,939,120	0.33%
MAF Real Estate LLC	Real Estate	2,359,270	0.26%
	Sub-Total	39,606,510	4.39%
	All Others	863,289,420	95.61%
	Total	<u>\$902,895,930</u>	<u>100.00%</u>

Source: County Auditor

CITY OF HAMILTON, OHIO

*Income Tax Collection Receipts by Fund
(Cash Basis of Accounting)
Last Ten Calendar Years*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund (1)	\$17,442,410	\$17,046,349	\$16,874,253	\$17,464,829
Public Safety / Health Income Tax Fund (2)	2,841,970	2,777,128	2,749,995	2,844,699
Hamilton Capital Improvement Fund (3)	2,273,576	2,221,702	2,199,995	2,275,758
Total	<u>\$22,557,956</u>	<u>\$22,045,179</u>	<u>\$21,824,243</u>	<u>\$22,585,286</u>
Income Tax Rate (4)	2.00	2.00	2.00	2.00

Source: City Records

(1) - Equates to 1.55% of 2.00% total rate, or 77.50% of total

(2) - Equates to 0.25% of 2.00% total rate, or 12.50% of total

(3) - Equates to 0.20% of 2.00% total rate, or 10.00% of total

(4) - Effective Dates of Levy:

Note: Increases in the income tax rate requires voter approval.

(continued)

CITY OF HAMILTON, OHIO

*Income Tax Collection Receipts by Fund
(Cash Basis of Accounting)
Last Ten Calendar Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund (1)	\$17,840,205	\$19,347,853	\$20,442,128	\$20,597,611
Public Safety / Health Income Tax Fund (2)	2,897,290	3,120,623	3,297,119	3,322,196
Hamilton Capital Improvement Fund (3)	2,317,831	2,496,498	2,637,695	2,657,757
Total	<u>\$23,055,326</u>	<u>\$24,964,974</u>	<u>\$26,376,942</u>	<u>\$26,577,564</u>
Income Tax Rate (4)	2.00	2.00	2.00	2.00

(continued)

CITY OF HAMILTON, OHIO

Income Tax Collection Receipts by Fund
(Cash Basis of Accounting)
Last Ten Calendar Years

	<u>2018</u>	<u>2019</u>
General Fund (1)	\$21,195,154	\$22,770,473
Public Safety / Health Income Tax Fund (2)	3,416,956	3,672,615
Hamilton Capital Improvement Fund (3)	<u>2,733,479</u>	<u>2,938,092</u>
Total	<u>\$27,345,589</u>	<u>\$29,381,180</u>
Income Tax Rate (4)	2.00	2.00

CITY OF HAMILTON, OHIO

*Principal Income Tax Payers
Current Year and Nine Years Ago*

Employer	Nature of Business	2019 Rank
Butler County Auditor	Government	1
Hamilton City School District	Education	2
Kettering Medical Center Network	Healthcare	3
City of Hamilton	Government	4
ThyssenKrupp Bilstein of America Inc.	Manufacturing	5
Bethesda Hospital Inc.	Healthcare	6
Barclays Services, LLC	Communication Technology	7
Community First Solutions	Healthcare	8
Valeo Climate Control	Manufacturing	9
Imflux Inc	Manufacturing	10

Employer	Nature of Business	2010 Rank
Butler County Auditor	Government	1
Hamilton City School District	Education	2
Fort Hamilton Hospital	Healthcare	3
City of Hamilton	Government	4
Liberty Mutual	Insurance	5
Smart Papers LLC	Manufacturing	6
GE Engine Service, Inc.	Manufacturing	7
Miami University	Education	8
Valeo Climate Control	Manufacturing	9
Kroger Ltd Partnership	Retail	10

Note: Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

CITY OF HAMILTON, OHIO

*Ratios of Outstanding Debt By Type
Last Ten Years*

	2010	2011	2012	2013
Governmental Activities (1)				
General Obligation Bonds Payable	\$29,828,806	\$30,426,579	\$28,115,485	\$25,701,350
Income Tax Revenue Bonds Payable	0	0	0	0
Special Assessment Bonds Payable	1,650,000	1,400,000	1,195,000	1,060,000
OWDA Loans Payable	0	0	0	0
Loans Payable	0	0	0	9,500,000
Long Term Notes	0	0	0	0
Business-type Activities (1)				
Water Revenue Bonds Payable	\$25,623,614	\$24,810,415	\$24,706,460	\$23,655,911
OWDA Loans Payable	431,837	416,213	400,077	383,412
OPWC Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Gas Bonds Payable	10,782,428	9,655,749	8,588,256	7,268,857
Enterprise Notes Payable	0	5,900,000	10,690,000	10,690,000
Electric Revenue Bonds Payable	163,238,287	156,835,006	153,774,110	146,129,261
Wastewater Bonds Payable	31,763,637	59,865,579	58,384,649	56,274,683
Total Primary Government	\$263,318,609	\$289,309,541	\$285,854,037	\$280,663,474
Population (2)				
City of Hamilton	62,477	62,795	62,295	62,477
Outstanding Debt Per Capita	\$4,215	\$4,607	\$4,589	\$4,492
Income (3)				
Personal (in thousands) (a)	12,975,478	13,652,278	14,375,201	14,468,982
Percentage of Personal Income	2.03%	2.12%	1.99%	1.94%

Sources:

- (1) City Records
- (2) U.S. Bureau of Census, Population Division
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available for the County,
Total Personal Income is presented for the County.

(continued)

CITY OF HAMILTON, OHIO

*Ratios of Outstanding Debt By Type
Last Ten Years*

	2014	2015	2016	2017
Governmental Activities (1)				
General Obligation Bonds Payable	\$23,258,690	\$20,762,700	\$18,218,564	\$3,211,639
Income Tax Revenue Bonds Payable	0	0	0	22,789,549
Special Assessment Bonds Payable	920,000	770,000	625,000	470,000
OWDA Loans Payable	0	0	1,592,766	3,019,894
Loans Payable	9,500,000	10,115,037	9,432,035	0
Long Term Notes	0	0	0	0
Business-type Activities (1)				
Water Revenue Bonds Payable	\$22,574,819	\$28,817,338	\$28,116,322	\$21,738,885
OWDA Loans Payable	366,201	339,322	334,401	1,243,921
OPWC Loans Payable	0	0	3,869,759	4,967,531
General Obligation Bonds Payable	0	0	0	0
Gas Bonds Payable	5,895,337	4,467,672	4,221,385	5,770,000
Enterprise Notes Payable	10,690,000	103,695,000	0	45,220,000
Electric Revenue Bonds Payable	137,642,002	30,924,820	30,111,546	16,269,523
Wastewater Bonds Payable	54,084,065	51,824,871	49,533,503	21,484,866
Total Primary Government	\$264,931,114	\$251,716,760	\$146,055,281	\$146,185,808
Population (2)				
City of Hamilton	62,258	62,486	62,359	62,127
Outstanding Debt Per Capita	\$4,255	\$4,028	\$2,342	\$2,353
Income (3)				
Personal (in thousands) (a)	14,592,475	15,294,831	15,631,343	15,680,621
Percentage of Personal Income	1.82%	1.65%	0.93%	0.93%

(continued)

CITY OF HAMILTON, OHIO

*Ratios of Outstanding Debt By Type
Last Ten Years*

	2018	2019
Governmental Activities (1)		
General Obligation Bonds Payable	\$14,057,373	\$13,402,229
Income Tax Revenue Bonds Payable	20,915,338	10,265,609
Special Assessment Bonds Payable	305,000	210,000
OWDA Loans Payable	3,286,599	3,331,707
Loans Payable	0	0
Long Term Notes	0	3,893,340
Business-type Activities (1)		
Water Revenue Bonds Payable	\$30,014,128	\$31,262,110
OWDA Loans Payable	1,868,038	2,194,157
OPWC Loans Payable	7,142,237	8,376,372
General Obligation Bonds Payable	555,000	535,000
Gas Bonds Payable	6,965,000	6,380,000
Enterprise Notes Payable	0	0
Electric Revenue Bonds Payable	28,883,975	42,712,319
Wastewater Bonds Payable	45,495,404	42,649,583
Total Primary Government	\$159,488,092	\$165,212,426
Population (2)		
City of Hamilton	62,092	62,174
Outstanding Debt Per Capita	\$2,569	\$2,657
Income (3)		
Personal (in thousands) (a)	16,197,532	16,229,556
Percentage of Personal Income	0.98%	1.02%

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2010	2011	2012	2013
Population (1)	62,477	62,795	62,295	62,477
Actual Value (in thousands) (2)	\$2,575,132	\$2,548,357	\$2,356,941	\$2,307,126
General Bonded Debt (3)				
General Obligation Bonds	\$29,828,806	\$30,426,579	\$28,115,485	\$25,701,350
Total General Bonded Debt	\$29,828,806	\$30,426,579	\$28,115,485	\$25,701,350
Resources Available to Pay Principal	\$0	\$0	\$0	\$0
Net General Bonded Debt	\$29,828,806	\$30,426,579	\$28,115,485	\$25,701,350
Ratio of Net Bonded Debt to Estimated Actual Value	1.16%	1.19%	1.19%	1.11%
Net Bonded Debt per Capita	\$477.44	\$484.54	\$451.33	\$411.37

Source:

(1) U.S. Bureau of Census of Population

(2) Butler County Auditor

(3) Includes all general obligation bonded debt supported by property taxes.

(continued)

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2014	2015	2016	2017
Population (1)	62,258	62,486	62,359	62,127
Actual Value (in thousands) (2)	\$2,157,682	\$2,141,007	\$2,132,924	\$2,261,468
General Bonded Debt (3)				
General Obligation Bonds	\$23,258,690	\$20,762,700	\$18,218,564	\$3,211,639
Total General Bonded Debt	\$23,258,690	\$20,762,700	\$18,218,564	\$3,211,639
Resources Available to Pay Principal	\$0	\$0	\$0	\$0
Net General Bonded Debt	\$23,258,690	\$20,762,700	\$18,218,564	\$3,211,639
Ratio of Net Bonded Debt to Estimated Actual Value	1.08%	0.97%	0.85%	0.14%
Net Bonded Debt per Capita	\$373.59	\$332.28	\$292.16	\$51.69

(continued)

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2018	2019
Population (1)	62,092	62,174
Actual Value (in thousands) (2)	\$2,257,501	\$2,289,436
General Bonded Debt (3)		
General Obligation Bonds	\$14,612,373	\$13,937,229
Total General Bonded Debt	\$14,612,373	\$13,937,229
Resources Available to Pay Principal	\$0	\$0
Net General Bonded Debt	\$14,612,373	\$13,937,229
Ratio of Net Bonded Debt to Estimated Actual Value	0.65%	0.61%
Net Bonded Debt per Capita	\$235.33	\$224.16

CITY OF HAMILTON, OHIO

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2019*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Hamilton (1)</u>	<u>Amount Applicable to the City of Hamilton</u>
Direct:			
City of Hamilton	\$31,102,885	100.00%	\$31,102,885
Overlapping:			
Butler County	25,027,420	9.61%	2,405,135
Hamilton City School District	61,195,000	96.78%	59,224,521
Talawanda City School District	28,820,000	3.29%	948,178
New Miami Local School District	520,000	1.42%	7,384
Ross Local School District	12,460,000	0.40%	49,840
Butler Technology and Career Center	7,650,000	0.30%	<u>22,950</u>
		Subtotal	<u>62,658,008</u>
		Total	<u><u>\$93,760,893</u></u>

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the total assessed valuation of the political subdivision.

Source: Ohio Auditor of State

CITY OF HAMILTON, OHIO

*Debt Limitations
Last Ten Years*

Tax Year	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$902,895,930	\$895,754,320	\$828,698,560	\$810,566,220
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	94,804,073	94,054,204	87,013,349	85,109,453
City Debt Outstanding (2)	29,180,083	28,170,011	25,925,097	23,875,438
Less: Applicable Debt Service Fund Amounts	0	0	0	0
Net Indebtedness Subject to Limitation (2)	<u>29,180,083</u>	<u>28,170,011</u>	<u>25,925,097</u>	<u>23,875,438</u>
Overall Legal Debt Margin	<u>\$65,623,990</u>	<u>\$65,884,193</u>	<u>\$61,088,252</u>	<u>\$61,234,015</u>
 Debt Margin as a Percentage of Debt Limit	 69.22%	 70.05%	 70.21%	 71.95%
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$902,895,930	\$895,754,320	\$828,698,560	\$810,566,220
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	49,659,276	49,266,488	45,578,421	44,581,142
City Debt Outstanding (2)	29,180,083	28,170,011	25,925,097	23,875,438
Less: Applicable Debt Service Fund Amounts	0	0	0	0
Net Indebtedness Subject to Limitation (2)	<u>29,180,083</u>	<u>28,170,011</u>	<u>25,925,097</u>	<u>23,875,438</u>
Overall Legal Debt Margin	<u>\$20,479,193</u>	<u>\$21,096,477</u>	<u>\$19,653,324</u>	<u>\$20,705,704</u>

(1) Direct Debt Limitation based upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only. Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Debt Limitations
Last Ten Years*

Tax Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Total Debt</u>			
Net Assessed Valuation	\$758,284,500	\$752,562,040	\$749,814,320
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	79,619,873	79,019,014	78,730,504
City Debt Outstanding (2)	21,739,256	19,720,000	17,340,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>21,739,256</u>	<u>19,720,000</u>	<u>17,340,000</u>
Overall Legal Debt Margin	<u>\$57,880,617</u>	<u>\$59,299,014</u>	<u>\$61,390,504</u>
Debt Margin as a Percentage of Debt Limit	72.70%	75.04%	77.98%
<u>Unvoted Debt</u>			
Net Assessed Valuation	\$758,284,500	\$752,562,040	\$749,814,320
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	41,705,648	41,390,912	41,239,788
City Debt Outstanding (2)	21,739,256	19,720,000	17,340,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>21,739,256</u>	<u>19,720,000</u>	<u>17,340,000</u>
Overall Legal Debt Margin	<u>\$19,966,392</u>	<u>\$21,670,912</u>	<u>\$23,899,788</u>

(continued)

CITY OF HAMILTON, OHIO

*Debt Limitations
Last Ten Years*

Tax Year	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Total Debt</u>			
Net Assessed Valuation	\$794,964,840	\$793,855,500	\$805,104,510
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	83,471,308	83,354,828	84,535,974
City Debt Outstanding (2)	3,185,000	14,090,000	13,440,000
Less: Applicable Debt Service Fund Amounts	0	0	0
Net Indebtedness Subject to Limitation (2)	<u>3,185,000</u>	<u>14,090,000</u>	<u>13,440,000</u>
Overall Legal Debt Margin	<u>\$80,286,308</u>	<u>\$69,264,828</u>	<u>\$71,095,974</u>
 Debt Margin as a Percentage of Debt Limit	 96.18%	 83.10%	 84.10%
<u>Unvoted Debt</u>			
Net Assessed Valuation	\$794,964,840	\$793,855,500	\$805,104,510
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	43,723,066	43,662,053	44,280,748
City Debt Outstanding (2)	3,185,000	14,090,000	13,440,000
Less: Applicable Debt Service Fund Amounts	0	0	0
Net Indebtedness Subject to Limitation (2)	<u>3,185,000</u>	<u>14,090,000</u>	<u>13,440,000</u>
Overall Legal Debt Margin	<u>\$40,538,066</u>	<u>\$29,572,053</u>	<u>\$30,840,748</u>

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2010	2011	2012	2013
Water System Revenue Bonds				
Gross Revenues (1)	\$14,930,142	\$15,000,714	\$14,798,053	\$14,656,915
Direct Operating Expenses (2)	12,158,069	10,795,637	10,868,974	10,505,666
Net Revenue Available for Debt Service	2,772,073	4,205,077	3,929,079	4,151,249
Annual Debt Service Requirement	2,337,494	2,321,067	2,322,567	2,320,492
Coverage (3)	1.19	1.81	1.69	1.79
Wastewater System Revenue Bonds				
Gross Revenues (1)	\$11,272,546	\$12,368,786	\$12,181,654	\$14,684,679
Direct Operating Expenses (2)	7,792,762	7,355,594	6,988,504	7,068,795
Net Revenue Available for Debt Service	3,479,784	5,013,192	5,193,150	7,615,884
Annual Debt Service Requirement	3,114,006	3,092,977	4,853,775	4,901,071
Coverage (3)	1.12	1.62	1.07	1.55
Gas System Revenue Bonds				
Gross Revenues (1)	\$26,867,128	\$21,974,462	\$16,611,781	\$24,746,065
Direct Operating Expenses (2)	23,092,861	19,230,178	14,435,127	22,596,575
Net Revenue Available for Debt Service	3,774,267	2,744,284	2,176,654	2,149,490
Annual Debt Service Requirement	1,693,780	1,674,487	1,670,737	1,669,237
Coverage (3)	2.23	1.64	1.30	1.29
Electric System Revenue Bonds				
Gross Revenues (1)	\$66,365,469	\$63,439,859	\$62,256,537	\$60,360,176
Direct Operating Expenses (2)	47,654,945	42,406,513	41,468,644	42,282,539
Net Revenue Available for Debt Service	18,710,524	21,033,346	20,787,893	18,077,637
Annual Debt Service Requirement	14,836,139	14,713,079	14,874,641	14,837,797
Coverage (3)	1.26	1.43	1.40	1.22
Special Assessment Bonds				
Special Assessment Collections	\$511,216	\$512,509	\$465,240	\$499,689
Debt Service				
Principal	285,000	250,000	205,000	135,000
Interest	99,996	87,383	75,698	65,498
Coverage	1.33	1.52	1.66	2.49

- (1) Gross revenues include operating revenues plus interest income.
- (2) Direct operating expenses include operating expenses less depreciation.
- (3) Coverage ratios based on GAAP basis figures. Under the terms of the revenue bond indentures, coverage ratios are calculated using Non-GAAP basis figures.

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2014	2015	2016	2017
Water System Revenue Bonds				
Gross Revenues (1)	\$14,965,626	\$12,602,429	\$13,130,285	\$13,483,093
Direct Operating Expenses (2)	9,477,829	9,364,217	10,137,417	11,317,676
Net Revenue Available for Debt Service	5,487,797	3,238,212	2,992,868	2,165,417
Annual Debt Service Requirement	2,314,717	2,316,840	2,064,721	2,064,373
Coverage (3)	2.37	1.40	1.45	1.05
Wastewater System Revenue Bonds				
Gross Revenues (1)	\$12,375,483	\$11,950,092	\$12,470,466	\$12,541,901
Direct Operating Expenses (2)	6,582,215	6,816,788	7,155,147	8,054,016
Net Revenue Available for Debt Service	5,793,268	5,133,304	5,315,319	4,487,885
Annual Debt Service Requirement	4,852,095	4,844,370	4,846,320	3,991,788
Coverage (3)	1.19	1.06	1.10	1.12
Gas System Revenue Bonds				
Gross Revenues (1)	\$29,488,952	\$22,013,427	\$19,117,737	\$18,531,047
Direct Operating Expenses (2)	28,900,507	19,446,910	17,472,300	17,472,987
Net Revenue Available for Debt Service	588,445	2,566,517	1,645,437	1,058,060
Annual Debt Service Requirement	1,669,738	1,670,375	432,925	184,071
Coverage (3)	0.35	1.54	3.80	5.75
Electric System Revenue Bonds				
Gross Revenues (1)	\$62,073,277	\$64,722,757	\$66,451,995	\$71,035,797
Direct Operating Expenses (2)	48,620,592	46,586,253	62,051,190	75,464,636
Net Revenue Available for Debt Service	13,452,685	18,136,504	4,400,805	(4,428,839)
Annual Debt Service Requirement	15,373,471	15,301,211	2,470,584	2,482,759
Coverage (3)	0.88	1.19	1.78	(1.78)
Special Assessment Bonds				
Special Assessment Collections	\$484,900	\$417,716	\$342,130	\$345,325
Debt Service				
Principal	140,000	150,000	145,000	155,000
Interest	58,523	51,078	43,020	35,153
Coverage	2.44	2.08	1.82	1.82

(continued)

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2018	2019
Water System Revenue Bonds		
Gross Revenues (1)	\$14,070,659	\$14,877,288
Direct Operating Expenses (2)	10,307,917	11,962,646
Net Revenue Available for Debt Service	3,762,742	2,914,642
Annual Debt Service Requirement	1,964,902	2,202,199
Coverage (3)	1.91	1.32
Wastewater System Revenue Bonds		
Gross Revenues (1)	\$12,966,268	\$13,698,367
Direct Operating Expenses (2)	7,950,546	8,824,466
Net Revenue Available for Debt Service	5,015,722	4,873,901
Annual Debt Service Requirement	3,334,502	3,853,762
Coverage (3)	1.50	1.26
Gas System Revenue Bonds		
Gross Revenues (1)	\$21,879,539	\$21,304,490
Direct Operating Expenses (2)	20,149,213	18,711,023
Net Revenue Available for Debt Service	1,730,326	2,593,467
Annual Debt Service Requirement	653,671	773,133
Coverage (3)	2.65	3.35
Electric System Revenue Bonds		
Gross Revenues (1)	\$80,569,387	\$82,553,789
Direct Operating Expenses (2)	75,820,874	74,502,740
Net Revenue Available for Debt Service	4,748,513	8,051,049
Annual Debt Service Requirement	2,549,893	2,457,340
Coverage (3)	1.86	3.28
Special Assessment Bonds		
Special Assessment Collections	\$234,082	\$326,617
Debt Service		
Principal	165,000	95,000
Interest	22,975	17,750
Coverage	1.25	2.90

CITY OF HAMILTON, OHIO

Demographic and Economic Statistics Last Ten Years

Calendar Year	2010	2011	2012	2013
Population (1)				
City of Hamilton	62,477	62,795	62,295	62,477
Butler County	368,130	373,115	369,999	368,130
Income (2) (a)				
Total Personal (in thousands)	12,975,478	13,652,278	14,375,201	14,468,982
Per Capita	35,247	36,590	38,852	39,304
Unemployment Rate (3)				
Federal	9.6%	8.9%	8.1%	7.4%
State	10.1%	8.6%	7.2%	7.4%
Butler County	9.6%	8.6%	7.1%	6.9%
Civilian Work Force Estimates (3)				
State	5,897,600	5,806,000	5,748,000	5,766,000
Butler County	188,200	191,300	189,600	190,500

Sources:

- (1) US Bureau of Census of Population
- (2) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available for the County. Total Personal Income is presented for the County. US Department of Commerce, Bureau of Economic Analysis information is only available through 2018, for the presentation of 2018 and 2019 statistics, the City is using the latest information available.
- (3) State Department of Labor Statistics

(continued)

CITY OF HAMILTON, OHIO

Demographic and Economic Statistics Last Ten Years

Calendar Year	2014	2015	2016	2017
Population (1)				
City of Hamilton	62,258	62,486	62,359	62,127
Butler County	371,272	374,158	372,538	380,604
Income (2) (a)				
Total Personal (in thousands)	14,592,475	15,294,831	15,631,343	15,680,621
Per Capita	39,304	40,878	41,534	42,620
Unemployment Rate (3)				
Federal	6.2%	5.3%	4.9%	4.4%
State	5.6%	4.6%	4.7%	5.0%
Butler County	4.9%	4.2%	4.1%	4.4%
Civilian Work Force Estimates (3)				
State	5,737,000	5,703,400	5,673,900	5,849,603
Butler County	191,100	186,900	187,900	190,208

(continued)

CITY OF HAMILTON, OHIO

*Demographic and Economic Statistics
Last Ten Years*

Calendar Year	2018	2019
Population (1)		
City of Hamilton	62,092	62,174
Butler County	382,378	383,134
Income (2) (a)		
Total Personal (in thousands)	16,197,532	16,229,556
Per Capita	42,360	42,360
Unemployment Rate (3)		
Federal	3.8%	3.5%
State	4.5%	4.1%
Butler County	3.7%	3.3%
Civilian Work Force Estimates (3)		
State	5,416,810	5,574,900
Butler County	153,227	188,200

CITY OF HAMILTON, OHIO

*Principal Employers
Current Year and Nine Years Ago*

Employer	Nature of Business	2019		
		Number of Employees	Rank	Percentage of Total Employment
Butler County	Government	1,500	1	N/A
Hamilton City School District	Education	1,185	2	N/A
Fort Hamilton Hospital	Health Care	1,010	3	N/A
ThyssenKrupp Bilstein of America (HQ)	Manufacturing	700	4	N/A
Community First Solutions (HQ)	Health Care	650	5	N/A
City of Hamilton	Government	641	6	N/A
Miami University - Hamilton	Education	400	7	N/A
Barcalycaard	Communication Technology	300	8	N/A
Darana Hybrid	Manufacturing	290	9	N/A
Bethesda Butler Hospital	Health Care	245	10	N/A
Total		<u>6,921</u>		
Total Employment within the City (1)		<u>N/A</u>		

Employer	Nature of Business	2010		
		Number of Employees	Rank	Percentage of Total Employment
Fort Hamilton Hospital	Healthcare	1,250	1	4.18%
Hamilton City School District	Education	1,250	2	4.18%
Butler County	Government	900	3	3.01%
City of Hamilton	Government	650	4	2.17%
First Financial Bank	Financial	400	5	1.34%
Meijer	Retail	325	6	1.09%
The Kroger Company	Retail	300	7	1.00%
GE Aviation	Manufacturing	250	8	0.84%
Smart Papers LLC	Manufacturing	200	9	0.67%
Valeo Climate Control	Manufacturing	200	10	0.67%
Total		<u>5,725</u>		<u>19.15%</u>
Total Employment within the City		<u>29,900</u>		

(1) - Total employment within the City is not available.

Source: City Records

CITY OF HAMILTON, OHIO

Full Time Equivalent Employees by Function Last Ten Years

	2010	2011	2012	2013	2014
Governmental Activities					
General Government					
City Administration	21.00	22.00	21.50	23.00	23.75
Engineering	17.00	12.50	9.00	6.00	7.00
Municipal Court	28.00	32.00	31.50	30.75	27.50
Information Technology	10.00	9.00	7.00	6.00	6.00
Finance	32.00	36.00	36.00	34.50	33.25
Security of Persons and Property					
Police	147.00	141.00	136.00	121.75	118.00
Fire	105.00	110.00	107.00	95.00	97.00
Public Health and Welfare Services					
Health	14.00	11.25	10.50	11.50	13.25
Leisure Time Activities					
Parks and Recreation	13.00	17.50	18.00	17.50	17.75
Community Environment					
Planning and Zoning	23.00	16.00	15.00	15.00	15.00
Transportation					
Street	50.00	55.00	57.00	60.00	60.00
Business-Type Activities					
Utilities					
Gas	24.00	31.00	29.00	30.00	28.00
Electric	109.00	114.00	105.00	105.00	111.50
Water	33.00	32.00	32.00	30.00	25.00
Wastewater	23.00	16.00	19.00	16.00	14.00
Utility Customer Service	28.00	23.00	26.00	25.00	17.00
<i>Total Employees</i>	<u>677.00</u>	<u>678.25</u>	<u>659.50</u>	<u>627.00</u>	<u>614.00</u>

Method: 1.00 for each full-time, 0.50 for each part-time and
0.25 for each seasonal employee

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Full Time Equivalent Employees by Function
Last Ten Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Governmental Activities					
General Government					
City Administration	16.50	19.00	19.00	19.50	23.00
Engineering	4.00	5.00	5.00	5.00	5.00
Municipal Court	27.00	27.50	28.50	28.00	29.50
Information Technology	5.00	14.00	14.00	14.25	12.25
Finance	29.00	28.50	24.75	22.25	18.00
Security of Persons and Property					
Police	121.25	124.00	136.00	133.00	136.00
Fire	96.25	98.50	107.00	105.00	105.00
Public Health and Welfare Services					
Health	15.50	15.75	14.75	13.00	12.00
Leisure Time Activities					
Parks and Recreation	15.00	14.50	14.50	13.00	11.75
Community Environment					
Planning and Zoning	16.50	16.75	13.75	13.50	8.50
Transportation					
Street	56.25	57.25	53.00	56.00	66.75
Business-Type Activities					
Utilities					
Gas	26.00	27.00	22.75	26.50	27.50
Electric	96.75	103.00	99.00	102.50	100.25
Water	30.25	31.75	36.00	35.00	38.50
Wastewater	26.00	25.75	25.50	24.00	31.00
Utility Customer Service	19.00	18.00	16.00	17.00	16.00
<i>Total Employees</i>	<u>600.25</u>	<u>626.25</u>	<u>629.50</u>	<u>627.50</u>	<u>641.00</u>

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2010	2011	2012	2013
Governmental Activities				
General Government				
Licenses and Permits				
Building Permits Issued - Residential	270	189	292	299
Building Permits Issued - Commercial	355	300	331	340
Security of Persons and Property				
Police				
Misdemeanor Arrests	7,740	6,589	3,832	3,159
Felony Arrests	1,516	1,587	1,371	1,519
Traffic Citations Issued	6,208	6,418	4,903	4,315
Parking Tickets Written	873	3,721	2,923	2,710
Fire / Emergency Medical Services				
Number of Calls Answered	11,386	11,733	12,091	11,657
Number of Inspections	1,145	2,159	637	295
Number of Emergency Medical Calls	9,008	9,121	9,471	9,239
Transportation				
Street				
Street Resurfacing (Center Line miles)	11.86	17.97	3.20	3.49
Parking				
Parking Levels	6.50	6.50	6.50	5.00
Parking Spaces	754	754	754	550
Average Daily Cars Parked	646	457	423	N/A
Parking / Meters - On Street and Lots	836	836	818	753
Public Works				
Refuse Collection				
Refuse Collected (tons)	25,988	25,823	23,149	23,227
Recyclables Collected (tons)	2,149	2,023	2,534	2,728
Leisure Time Activities				
Parks and Recreation				
Athletic Field Permits Issued*	92	60	65	75
Public Health and Welfare Services				
Health Care				
Number of Patient Beds	274	320	320	274

*Beginning in 2015, athletic field permits are issued by the Hamilton Parks Conservancy.

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2014	2015	2016	2017
Governmental Activities				
General Government				
Licenses and Permits				
Building Permits Issued - Residential	354	318	400	349
Building Permits Issued - Commercial	282	325	368	411
Security of Persons and Property				
Police				
Misdemeanor Arrests	6,237	6,025	5,488	6,462
Felony Arrests	773	637	754	892
Traffic Citations Issued	4,253	4,698	5,058	4,934
Parking Tickets Written	2,437	2,107	2,195	900
Fire / Emergency Medical Services				
Number of Calls Answered	12,157	12,724	12,967	14,482
Number of Inspections	520	980	96	478
Number of Emergency Medical Calls	9,700	10,208	10,337	13,002
Transportation				
Street				
Street Resurfacing (Center Line miles)	1.82	3.56	1.12	3.54
Parking				
Parking Levels	5.00	5.00	5.00	5.00
Parking Spaces	550	550	550	550
Average Daily Cars Parked	N/A	N/A	N/A	N/A
Parking / Meters - On Street and Lots	656	524	524	445
Public Works				
Refuse Collection				
Refuse Collected (tons)	23,232	23,190	23,282	23,907
Recyclables Collected (tons)	2,697	2,644	2,660	2,645
Leisure Time Activities				
Parks and Recreation				
Athletic Field Permits Issued*	132	N/A	N/A	N/A
Public Health and Welfare Services				
Health Care				
Number of Patient Beds	209	296	320	358

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2018	2019
Governmental Activities		
General Government		
Licenses and Permits		
Building Permits Issued - Residential	385	479
Building Permits Issued - Commercial	346	162
Security of Persons and Property		
Police		
Misdemeanor Arrests	6,546	6,613
Felony Arrests	791	777
Traffic Citations Issued	4,952	4,838
Parking Tickets Written	1,161	4,310
Fire / Emergency Medical Services		
Number of Calls Answered	14,254	14,412
Number of Inspections	565	1,220
Number of Emergency Medical Calls	12,161	12,693
Transportation		
Street		
Street Resurfacing (Center Line miles)	2.83	4.32
Parking		
Parking Levels	5.00	5.00
Parking Spaces	550	550
Average Daily Cars Parked	N/A	N/A
Parking / Meters - On Street and Lots	538	538
Public Works		
Refuse Collection		
Refuse Collected (tons)	24,278	24,822
Recyclables Collected (tons)	2,536	2,296
Leisure Time Activities		
Parks and Recreation		
Athletic Field Permits Issued*	N/A	N/A
Public Health and Welfare Services		
Health Care		
Number of Patient Beds	257	241

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2010	2011	2012	2013
Business-Type Activities				
Gas				
Average Daily Consumption (100 cubic feet)	9,088	8,808	6,823	9,969
Peak Daily Consumption (100 cubic feet)	26,487	27,425	23,042	27,136
Electric				
Peak Demand (MW)	159	159	152	140
Energy Requirement (MWh)	663,099	651,892	613,645	619,273
Total System Sales (MWh)	636,557	618,083	583,773	566,426
Total Residential Customers	26,177	26,085	26,052	26,099
Total Commercial Customers	2,954	2,952	2,926	2,922
Water				
New Service Connections	10	4	18	25
Water Main Breaks	93	87	77	117
Average Daily Consumption (thousands of gallons)	17,853	17,644	16,322	15,458
Peak Daily Consumption (thousands of gallons)	22,537	25,545	21,495	20,323
Wastewater				
Average Daily Sewage Treatment (millions of gallons)	13.4	14.2	8.6	8.4

Source: City Records

N/A = Information Not Available

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2014	2015	2016	2017
Business-Type Activities				
Gas				
Average Daily Consumption (100 cubic feet)	10,243	6,794	6,505	6,861
Peak Daily Consumption (100 cubic feet)	33,759	32,152	25,089	26,769
Electric				
Peak Demand (MW)	133	143	145	135
Energy Requirement (MWh)	613,779	614,023	604,727	585,366
Total System Sales (MWh)	594,699	561,624	571,211	552,949
Total Residential Customers	26,127	26,347	26,379	26,783
Total Commercial Customers	2,915	2,908	2,895	2,886
Water				
New Service Connections	23	23	30	84
Water Main Breaks	83	83	72	42
Average Daily Consumption (thousands of gallons)	14,490	14,490	15,222	14,766
Peak Daily Consumption (thousands of gallons)	18,204	18,204	22,215	19,491
Wastewater				
Average Daily Sewage Treatment (millions of gallons)	8.9	8.9	8.5	9.0

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	<u>2018</u>	<u>2019</u>
Business-Type Activities		
Gas		
Average Daily Consumption (100 cubic feet)	7,549	7,349
Peak Daily Consumption (100 cubic feet)	28,170	32,496
Electric		
Peak Demand (MW)	132	124
Energy Requirement (MWh)	610,054	599,026
Total System Sales (MWh)	583,686	565,567
Total Residential Customers	26,400	26,528
Total Commercial Customers	2,887	2,908
Water		
New Service Connections	76	124
Water Main Breaks	73	43
Average Daily Consumption (thousands of gallons)	11,792	16,452
Peak Daily Consumption (thousands of gallons)	22,331	21,386
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	10.8	10.4

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2010	2011	2012	2013
Governmental Activities				
General Government				
Public Land and Buildings				
Land (Square Miles)	21.62	21.68	21.68	21.68
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Cruisers	44	44	40	40
Fire / Emergency Medical Services				
Stations	6	6	6	5
Transportation				
Street				
Streets (lane miles)	254.21	254.21	254.21	254.21
Street Lights	6,986	6,996	7,011	7,028
Traffic Signals	98	98	96	96
Parking				
Off street Parking Garages	2	2	2	1
Leisure Time Activities				
Parks and Recreation				
Parks	52	52	52	54
Park Area (acres)	1,300	1,300	1,300	1,308
Playgrounds	24	24	24	24
Ball Fields				
Lighted	9	9	9	9
Unlighted	34	34	34	34
Tennis Courts				
Lighted	2	2	2	2
Unlighted	6	6	6	6
Swimming Pools	1	1	1	1
Splash Pads				
Golf Courses	2	2	2	2
Skateboard Park	1	1	1	1
Community Environment				
Libraries	1	1	1	1
Public Health and Welfare				
Hospitals	2	2	2	2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2014	2015	2016	2017
Governmental Activities				
General Government				
Public Land and Buildings				
Land (Square Miles)	21.68	21.68	21.68	21.68
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Cruisers	40	40	49	60
Fire / Emergency Medical Services				
Stations	5	5	5	5
Transportation				
Street				
Streets (lane miles)	254.21	254.21	254.21	254.21
Street Lights	7,029	9,043	9,043	9,050
Traffic Signals	95	95	95	92
Parking				
Off street Parking Garages	1	1	1	1
Leisure Time Activities				
Parks and Recreation				
Parks	54	54	36	44
Park Area (acres)	1,308	1,308	1,308	1,315
Playgrounds	24	24	24	23
Ball Fields				
Lighted	9	9	10	9
Unlighted	34	34	34	34
Tennis Courts				
Lighted	2	2	1	1
Unlighted	6	6	3	5
Swimming Pools	1	1	1	1
Splash Pads	3	3	5	8
Golf Courses	2	2	2	2
Skateboard Park	1	1	1	1
Community Environment				
Libraries	1	1	1	1
Public Health and Welfare				
Hospitals	2	2	2	2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2018	2019
Governmental Activities		
General Government		
Public Land and Buildings		
Land (Square Miles)	21.68	21.68
Security of Persons and Property		
Police		
Stations	1	1
Patrol Cruisers	60	60
Fire / Emergency Medical Services		
Stations	5	5
Transportation		
Street		
Streets (lane miles)	254.21	254.21
Street Lights	9,051	9,051
Traffic Signals	94	94
Parking		
Off street Parking Garages	1	1
Leisure Time Activities		
Parks and Recreation		
Parks	47	47
Park Area (acres)	1,261	1,261
Playgrounds	26	26
Ball Fields		
Lighted	9	9
Unlighted	34	34
Tennis Courts		
Lighted	1	1
Unlighted	5	5
Swimming Pools	1	1
Splash Pads	8	8
Golf Courses	2	2
Skateboard Park	1	1
Community Environment		
Libraries	1	1
Public Health and Welfare		
Hospitals	2	2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2010	2011	2012	2013
Business-Type Activities				
Utilities				
Water				
Purification Plants	2	2	2	2
Maximum Capacity (millions of gallons)	46	46	46	46
Waterlines (Miles)	340.0	340.0	340.0	345.0
Wastewater				
Treatment Plants	1	1	1	1
Maximum Capacity (millions of gallons)	32	32	32	32
Sanitary Sewerlines (Miles)	253.0	253.0	253.0	253.0
Storm Drains (Miles)	188.2	188.2	188.2	188.2

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2014	2015	2016	2017
Business-Type Activities				
Utilities				
Water				
Purification Plants	2	2	2	2
Maximum Capacity (millions of gallons)	46	46	46	46
Waterlines (Miles)	340.1	340.1	340.1	340.1
Wastewater				
Treatment Plants	1	1	1	1
Maximum Capacity (millions of gallons)	32	32	32	32
Sanitary Sewerlines (Miles)	253.0	253.0	253.0	253.0
Storm Drains (Miles)	188.2	188.2	188.2	188.2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	<u>2018</u>	<u>2019</u>
Business-Type Activities		
Utilities		
Water		
Purification Plants	2	2
Maximum Capacity (millions of gallons)	46	46
Waterlines (Miles)	340.1	340.1
Wastewater		
Treatment Plants	1	1
Maximum Capacity (millions of gallons)	32	32
Sanitary Sewerlines (Miles)	253.0	253.0
Storm Drains (Miles)	188.2	188.2

CITY OF HAMILTON, OHIO



CITY OF HAMILTON, OHIO – ELECTRIC SYSTEM

Financial Statements

Years Ended December 31, 2019 and 2018

With Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 11
Financial Statements:	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows.....	14
Notes to Financial Statements.....	15 – 38
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	39
Schedule of Pension Contributions	39
Schedule of the Proportionate Share of the Net OPEB Liability.....	40
Schedule of OPEB Contributions	40
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	41

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Electric System, an enterprise fund of the City of Hamilton, Ohio (the Electric System), as of and for the years ended December 31, 2019 and 2018 and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Electric System as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Electric System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 15 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Electric System. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2020

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Electric System's financial performance provide an overall review of that system's financial activities for the years ended December 31, 2019 and 2018. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2019 and 2018 are as follows:

- The assets and deferred outflow of resources of the Hamilton Electric System exceeded its liabilities and deferred inflows of resources at the close of 2019 and 2018 by \$115,281,431 and \$115,696,113 (net position), respectively. Of these amounts, \$19,548,965 and \$20,228,554 (unrestricted net position) in those years were available to meet the system's ongoing obligations to customers and creditors.
- The system's total net position decreased by \$414,682 between 2019 and 2018, representing a 0.4% decrease.
- In 2019, the Electric System's long-term debt increased by \$11,445,000 due to refunding the Series 2009B bonds and issuing \$15,600,000 in new financing for a new substation and other system improvements.

Electric System Summary

The City of Hamilton, Ohio has owned and operated an electric utility system since 1893. Currently, the system is the second largest municipally owned electric system in Ohio. The electric system is a fully integrated electric generation, transmission and distribution system. The system owns both thermal and hydroelectric generation facilities and maintains a diverse customer base, with approximately 29,400 customers. Customer rates are established by the City and are not subject to the regulatory jurisdiction of the Public Utilities Commission of Ohio (PUCO) or any other regulatory body.

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Electric System for the year ended December 31, 2019.

Reporting Hamilton's Electric System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Electric System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Electric System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2019 and 2018. The City of Hamilton's Electric System is reported as a business-type, enterprise fund and is considered a major fund for purposes of individual fund

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

reporting. Payments made from the Electric Fund are restricted to Electric System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing. In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the System looks at all financial transactions of the Electric Fund and asks the question, "How did we do financially during 2019 and 2018?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources, liabilities, and deferred inflows of resources of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the system, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Electric System's Financial Statements provide additional information that is essential to a full understanding of the data provided.

The System provides services that have a charge based upon the amount of usage. The City's Electric System charges fees to recoup the cost of the entire operation of the Electric System as well as all capital expenses associated with these facilities.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. Table 1 provides a summary of the Electric System's Statement of Net Position for the Years Ended December 31, 2019, 2018, and 2017.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

	2019	2018	2017
Current and other assets	\$ 67,303,361	\$ 50,065,243	\$ 54,919,558
Capital assets	118,035,832	117,666,483	116,068,462
Total assets	185,339,193	167,731,726	170,988,020
 Deferred outflows of resources	 6,077,476	 3,214,329	 5,633,068
 Long-term liabilities:			
Net pension liability	16,288,107	8,807,947	12,116,488
OPEB liabilities	8,154,399	6,433,564	5,657,740
Other long-term amounts	42,082,374	28,567,956	29,688,118
Other liabilities	9,368,698	8,880,244	8,774,797
Total liabilities	75,893,578	52,689,711	56,237,143
 Deferred inflows of resources	 241,660	 2,560,231	 251,905
 Net investment in capital assets	 90,563,524	 88,396,753	 87,082,888
Restricted	5,168,942	7,070,806	7,405,613
Unrestricted	19,548,965	20,228,554	25,643,539
Total net position	\$ 115,281,431	\$ 115,696,113	\$ 120,132,040

The net pension liability (NPL) is reported by the Electric System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Electric System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Electric System'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 following discussion pertains to the net pension and net OPEB liabilities reported in the Gas System's financial statements as a result of the Electric System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Electric System's financial statements reflects OPEB benefits provided by the Electric System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Electric System'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 Electric System 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.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Electric System'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.

The System's asset values consists of the physical property, plant and equipment of the system having a historical cost less accumulated depreciation of \$118,035,832, \$117,666,483 and \$116,068,462, respectively, at December 31, 2019, 2018, and 2017. The System employs these assets in the generation, transmission, and distribution of electricity to customers; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt in the Net Position section of the Statement of Net Position and it should be noted that the resources needed to repay these debts must be provided from other sources, primarily the revenues of the system, since the capital assets themselves cannot be used to liquidate the liabilities.

As of December 31, 2019, 2018, and 2017, the Electric System was able to report positive balances in net position of \$115,281,431, \$115,696,113, and \$120,132,040, respectively. In 2018 and 2017, the Electric System reported operating losses of \$2,877,222 and \$12,702,165, respectively, and operating income of \$347,281 in 2019. An increase in electric base rates led to increases in operating revenue and reduced the operating loss by \$9,824,943 between 2017 to 2018, and increasing the operating income by \$3,224,503 between 2018 to 2019. Net non-operating expenses of \$761,963 decreased by \$796,742, primarily due to better investment rates on higher cash and investment balances and lower interest costs due to making the final payment on the Series 2009A bonds and refunding of the Series 2009B bonds.

Statement of Revenues, Expenses and Changes in Net Position

	2019	2018	2017
Operating revenues	\$ 81,730,855	\$ 79,889,209	\$ 70,567,830
Operating expenses:			
Purchased power and fuel	48,933,774	53,951,389	50,712,401
Depreciation	6,880,834	6,945,557	7,805,359
Other operating expenses	25,568,966	21,869,485	24,752,235
Total operating expenses	<u>81,383,574</u>	<u>82,766,431</u>	<u>83,269,995</u>
Operating income (loss)	347,281	(2,877,222)	(12,702,165)
Non-Operating revenues (expenses)			
Interest and fiscal charges	(1,845,396)	(2,534,447)	(1,453,986)
Loss on disposal of capital assets	(52,220)	(15,821)	(69,271)
Other non-operating revenues	1,135,653	991,563	778,842
Total non-operating revenues (expenses)	<u>(761,963)</u>	<u>(1,558,705)</u>	<u>(744,415)</u>
Change in net position	(414,682)	(4,435,927)	(13,446,580)
Beginning net position	115,696,113	120,132,040	N/A
Ending net position	<u>\$ 115,281,431</u>	<u>\$ 115,696,113</u>	<u>\$ 120,132,040</u>

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Electric System as of December 31, 2019, 2018, and 2017 amounted to \$90.6 million, \$88.4 million and \$87.1 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment including the City's hydro-electric and thermal generation facilities. The plant and equipment of the Electric System are rigorously tested, and maintenance schedules are adhered to in a strenuous fashion to insure safe, long-term, efficient operation.

Note 5 (Capital Assets) provides Electric System asset activity during 2019 and 2018.

Debt Administration: At the end of 2019, the Electric System had three outstanding long-term revenue bond issues totaling \$39,465,000. In December 2019, the Electric System issued \$26,885,000 in Series 2019 Revenue Bonds to refund the Series 2009B bonds and to finance construction of a new 92-MVA, 138kV/13.7kV substation and other system improvements.

See Note 6 for a discussion of outstanding Electric System bonds, notes and related activity.

Economic Factors and Future Trends

The City's 2019 rate base consisted of approximately 26,500 residential customers and 2,900 commercial and industrial customers. The residential customers account for 52% of the revenue, the commercial and industrial customers account for the remaining 48%. No one customer of the Electric System accounted for more than 2.6% of total revenues and the ten largest customers, in the aggregate, accounted for approximately 12.8% of the Electric System's revenues in 2019. The Electric System customer base is comprised of approximately 90% residential and 10% commercial and industrial customers.

The City has a rate ordinance, which sets forth rates and charges for Residential, Commercial Non-Demand, Commercial Demand, Large Power and Industrial Service. All rates include:

- A power cost adjustment (PCA) charge (Rider A) that allows for increases or decreases in the fuel and purchased power costs to be passed directly through to the Electric System's customers in comparison with the level of power costs embedded in the base rates. The PCA averaged a charge of \$0.00001/kWh in 2019.
- An electric rate stabilization adjustment rider (Rider B) that allows for a percentage adder to be applied to all charges under each rate schedule to replenish revenues previously withdrawn from the Electric Rate Stabilization Fund. Rider B was not assessed for 2019.
- A suburban surcharge (Rider C) of 5% for all Electric System customers outside the corporate limits of the City.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

- An unfunded environmental mandates adjustment rider (UEMA – Rider D) that allows for expenses associated with the Electric System's compliance with environmental mandates, not included in the base rates or PCA. Rider D was not assessed for 2019.
- An unfunded governmental and regulatory, excluding environmental (Rider D), mandates adjustment rider (UGRMA – Rider E) that allows for expenses associated with the Electric System's compliance with governmental and regulatory mandates not included in the base rates, PCA or Rider D. Rider E was not assessed for 2019.
- The Economic Development Cost Adjustment (Rider F) for Electric was not assessed in 2019.

The annual budget of the City Electric System is adopted in accordance with ten-year projections developed by City staff, and these projections are reviewed and updated in the spring and fall of each year, or more often as deemed necessary by City Management.

The Electric System serves the electricity needs of its customers with energy from a diversified mix of resources. This mix consists of steam, hydroelectric, combustion turbine generating facilities and the wholesale energy market. The City has purchase power contracts with American Municipal Power Inc. (AMP) for several generating resources including the New York Power Authority (“NYPA”), Prairie State Energy Campus (“Prairie State”), AMP Fremont Energy Center (“AFEC”), Ohio Municipal Electric Generating Agency Joint Venture 2 (“OMEGA JV-2”), Meldahl and the wholesale energy market.

Prairie State is a 2-unit, 1,600 MW coal-fired generating project that is located in Central Illinois. Prairie State began commercial operation in 2012. The City and AMP executed a 50-year purchase power agreement under which the City purchases 17.5 MW from each unit, resulting in a total City contractual entitlement of 35 MW of capacity. Prairie State is projected to provide approximately 267,355 MWh of the City's energy supply in 2020. AMP owns an interest in the Prairie State Energy Campus equivalent to 368 MW of capacity.

In 2011, AMP purchased AFEC, a natural gas-fired combined cycle generating station, from FirstEnergy. Plant construction was completed by December 31, 2011 and commercial operation of the facility began on January 1, 2012. AFEC is located near Fremont, Ohio. AFEC includes two 180 MW (net) natural gas-fired combustion turbines and one 360 MW (net) steam turbine. The City purchases 11.55 MW of Base Capacity under a power sales agreement (“PSA”) with AMP, from AMP's share of AFEC. The City's AFEC PSA is projected to supply approximately 87,721 MWh of the City's energy supply in 2020.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

On March 1, 2009, the City entered into the AMP/Hamilton Meldahl-Greenup Agreements pursuant to which the City has retained approximately 55.928 MW of the 108.81 MW Meldahl project. Additionally, the City sold approximately 34.1 MW of the 70.2 MW Greenup Project to AMP for a sale price of \$139 million, which was paid by AMP to the City shortly after the commencement of operations of the Meldahl Project in 2016. Proceeds from the sale were used to retire outstanding debt or deposited into a reserve to fund necessary capital improvements to the Electric System. Pursuant to the agreement, the City's share of the combined Meldahl/Greenup annual power generation is expected to be approximately 375,825 MWh, thereby diversifying the City's power resources and moving further away from the production of power via fossil fuels.

The City purchases approximately 3.8 MW on-peak and 1.9 MW off-peak of project capability and associated energy from the New York Power Authority's Niagara and St. Lawrence Hydroelectric Projects, marketed by NYPA and supplied through AMP. NYPA is projected to supply approximately 21,112 MWh of the City's energy supply in 2020. The NYPA entitlement is transmitted to the Electric System through New York, Pennsylvania, and the Pennsylvania-New Jersey-Maryland Interconnection, LLC systems and the Duke interconnection.

In November 2000, the City became a participant in OMEGA JV-2. OMEGA JV-2 owns and operates approximately 138 MW of distributive generation capacity consisting of 38 units located in 13 Ohio communities. One of the OMEGA JV-2 units, a 32 MW (gross) combustion turbine, is located within the City limits, but not at the Thermal Power Plant, and is interconnected with the Electric System. The OMEGA JV-2 generating unit that is located in Hamilton is remotely operated by AMP, under the OMEGA JV-2 arrangement. The City is entitled by contract to approximately 32 MW (gross) of capacity and associated energy from OMEGA JV-2. JV-2 is projected to supply approximately 2,600 MWh of the City's energy supply in 2020. The capacity charge includes the City's portion of the cost of funding the purchase of the OMEGA JV-2.

Gas Turbine-Generator 2, or GT-2, is a natural gas-fired combustion turbine. Gas Turbine-Generator 2 is used for peaking. Gas Turbine No. 2 was manufactured by Westinghouse.

The City is the licensee of the Small Hydro Plant, a run-of-the-river hydroelectric generation facility located on a three-mile long diversion canal off the Great Miami River. Water is diverted into the canal by means of ungated dams. The Small Hydro Plant is located in the City approximately one-quarter mile from the Thermal Power Plant. The Small Hydro Plant capacity rating is 1,700 kW and is projected to supply approximately 5,212 MWh of the City's energy supply in 2020. The diversion canal is the source of cooling water for the thermal generation facilities.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

In 2012, the Electric System joined the PJM RTO (Regional Transmission Organization). This transition meant that the Electric System would receive its power from the "grid" through PJM as opposed to through the MISO (Midwest Independent System Operators) RTO, its pre-2012 Regional Transmission Organization. This transition resulted from the decision of Duke Energy Ohio and Duke Energy Kentucky switch from MISO to PJM. Since the City of Hamilton is essentially surrounded by the territory of Duke Energy Ohio and receives its outside power through the Duke Energy Interconnect, the decision to switch to PJM made operational and economic sense. Additionally, most of Ohio is already located in PJM.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Electric System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – ELECTRIC SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and investments	\$ 51,263,941	32,940,119
Accounts receivable (less allowance for uncollectible accounts of \$4,862,603 and \$4,712,048, respectively)	8,773,791	7,722,133
Interest receivable	149,935	116,689
Inventory of supplies at cost	1,622,780	1,733,218
Prepaid expenses	323,972	482,278
Total current assets	<u>62,134,419</u>	<u>42,994,437</u>
Restricted cash and investments	<u>5,168,942</u>	<u>7,070,806</u>
Noncurrent assets:		
Nondepreciable capital assets	21,703,700	20,538,220
Depreciable capital assets, net	96,332,132	97,128,263
Total noncurrent assets	<u>118,035,832</u>	<u>117,666,483</u>
Total assets	<u>185,339,193</u>	<u>167,731,726</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	307,042	-
Pension	4,994,959	2,516,120
OPEB	775,475	698,209
Total deferred outflows of resources	<u>6,077,476</u>	<u>3,214,329</u>
LIABILITIES		
Current liabilities:		
Accounts payable	4,788,937	5,075,820
Accrued wages and benefits	430,569	207,671
Accrued liabilities	936	936
Intergovernmental payable	144,449	29,460
Accrued interest payable	353,350	392,876
Customer deposits payable	1,768,654	1,655,215
Compensated absences payable-current	671,803	598,266
Revenue bonds payable-current portion	1,210,000	920,000
Total current liabilities	<u>9,368,698</u>	<u>8,880,244</u>
Noncurrent Liabilities:		
Compensated absences payable	580,055	603,981
Revenue bonds payable	41,502,319	27,963,975
Net pension liability	16,288,107	8,807,947
Net OPEB liability	7,853,807	6,168,113
Total OPEB liability	300,592	265,451
Total noncurrent liabilities	<u>66,524,880</u>	<u>43,809,467</u>
Total liabilities	<u>75,893,578</u>	<u>52,689,711</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	213,873	2,091,778
OPEB	27,787	468,453
Total deferred inflows of resources	<u>241,660</u>	<u>2,560,231</u>
NET POSITION		
Net investment in capital assets	90,563,524	88,396,753
Restricted for debt service	1,168,942	3,070,806
Restricted for rate stabilization	4,000,000	4,000,000
Unrestricted	19,548,965	20,228,554
Total net position	<u>\$ 115,281,431</u>	<u>115,696,113</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - ELECTRIC SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 81,207,311	78,228,334
Other operating revenues	<u>523,544</u>	<u>1,660,875</u>
Total operating revenues	<u>81,730,855</u>	<u>79,889,209</u>
Operating expenses:		
Personal services	13,499,907	10,181,017
Materials and supplies	1,110,301	1,139,991
Contractual services	7,432,090	6,756,821
Purchased power and fuel	48,933,774	53,951,389
Depreciation	6,880,834	6,945,557
Other operating expenses	<u>3,526,668</u>	<u>3,791,656</u>
Total operating expenses	<u>81,383,574</u>	<u>82,766,431</u>
Operating income (loss)	347,281	(2,877,222)
Non-operating revenues (expenses):		
Investment earnings	822,934	680,178
Loss on disposal of capital assets	(52,220)	(15,821)
Grants	312,719	311,385
Interest and fiscal charges	<u>(1,845,396)</u>	<u>(2,534,447)</u>
Total non-operating revenues (expenses)	<u>(761,963)</u>	<u>(1,558,705)</u>
Change in net position	(414,682)	(4,435,927)
Net position - beginning of year	<u>115,696,113</u>	<u>120,132,040</u>
Net position - end of year	\$ <u>115,281,431</u>	<u>115,696,113</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - ELECTRIC SYSTEM
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 80,679,197	80,234,981
Cash paid for employee services and benefits	(58,436,617)	(10,604,010)
Cash paid to suppliers for goods and services	<u>(11,180,545)</u>	<u>(63,418,151)</u>
Net cash from operating activities	<u>11,062,035</u>	<u>6,212,820</u>
Cash flows from noncapital financing activities:		
Intergovernmental grants	312,719	311,385
Kilowatt hour taxes received	2,375,056	2,455,128
Kilowatt hour taxes paid to State	(2,375,056)	(2,455,128)
Advances in from other funds	-	13,330,000
Advances out to other funds	-	(2,100,000)
Net cash from noncapital financing activities	<u>312,719</u>	<u>11,541,385</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisition	(7,378,864)	(8,791,136)
Revenue bond proceeds	29,287,934	-
Note issuance	-	-
Note retirement	-	(13,795,000)
Revenue bond principal retirement	(15,440,000)	(1,290,000)
Debt interest payments	(2,211,554)	(1,646,706)
Proceeds from sale of refunding debt	-	<u>13,977,909</u>
Net cash from capital and related financing activities	<u>4,257,516</u>	<u>(11,544,933)</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>789,688</u>	<u>687,674</u>
Net change in cash and investments	16,421,958	6,896,946
Cash and investments at beginning of year	<u>40,010,925</u>	<u>33,113,979</u>
Cash and investments at end of year	\$ <u>56,432,883</u>	<u>40,010,925</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ 347,281	(2,877,222)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	6,880,834	6,945,557
Change in deferred outflows-pension and OPEB	(2,556,105)	1,586,686
Change in deferred inflows-pension and OPEB	(2,318,571)	2,308,326
Change in Assets and Liabilities:		
(Increase) decrease in receivables	(1,051,658)	345,638
(Increase) decrease in inventory	110,438	168,966
(Increase) decrease in prepaid items	158,306	(839)
Increase (decrease) in customer deposits payable	113,439	171,937
Increase (decrease) in payables	(210,422)	(155,483)
Increase (decrease) in accrued liabilities	272,509	246,772
Increase (decrease) in intergovernmental payables	114,989	5,199
Increase (decrease) in net pension liability	7,480,160	(3,308,541)
Increase (decrease) in net OPEB liability	1,685,694	787,607
Increase (decrease) in net OPEB liability	<u>35,141</u>	<u>(11,783)</u>
Net cash from operating activities	\$ <u>11,062,035</u>	<u>6,212,820</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	\$ <u>309,294</u>	<u>385,755</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – ELECTRIC SYSTEM

Notes to Financial Statements Years Ended December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Electric System (Electric System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Electric System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Electric System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Electric System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Electric System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Electric System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Electric System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Bond Discounts and Premiums – Unamortized bond discounts and premiums are amortized on the interest method over the term of the related bonds. Amortization of bond discounts for 2019

and 2018 was \$57,172 and \$3,305, respectively, and amortization of premiums during 2019 and 2018 was \$76,762 for both years.

Compensated Absences - The Electric System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Electric System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting 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) until then. The Electric System reports deferred outflows of resources deferred pension/OPEB amounts and are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Electric System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Electric System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

2. CASH AND INVESTMENTS

The Electric System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Electric System totaled \$55,263,941 and \$36,940,119 for December 31, 2019 and 2018, respectively, and consisted of demand deposits, money market funds, commercial paper, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Cash and investments held by trustees were \$1,168,942 and \$3,070,806 at December 31, 2019 and 2018, respectively.

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued 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. For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2019 and 2018, approximately 95% of the City’s deposits with financial institutions, including the amount of pooled deposits related to the Electric System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Electric System’s uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Electric Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of “safekeeping” accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S. agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

The City’s pooled investments, as well as the investments held by trustees specifically for the Electric System, are invested primarily in U.S. governmental agency securities with a credit rating of AA+ and an average maximum maturity of 1.76 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Earned and unbilled consumer accounts	\$ 4,795,645	3,803,717
Earned and billed consumer accounts	8,270,920	8,105,564
Other	569,829	524,900
Less allowance for uncollectible accounts	<u>(4,862,603)</u>	<u>(4,712,048)</u>
Total	<u>\$ 8,773,791</u>	<u>7,722,133</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$5,168,942 and \$7,070,806 at December 31, 2019 and 2018, respectively.

This space intentionally left blank.

5. CAPITAL ASSETS

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

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Nondepreciable capital assets:</i>				
Land	\$ 1,863,309	\$ -	\$ -	\$ 1,863,309
Construction in progress	18,674,911	3,684,143	(2,518,663)	19,840,391
Subtotal	<u>20,538,220</u>	<u>3,684,143</u>	<u>(2,518,663)</u>	<u>21,703,700</u>
<i>Capital assets being depreciated:</i>				
Intangibles	1,070,786	-	-	1,070,786
Buildings and improvements	22,184,131	666,177	-	22,850,308
Machinery and equipment	403,174,664	5,470,746	(442,965)	408,202,445
Subtotal	<u>426,429,581</u>	<u>6,136,923</u>	<u>(442,965)</u>	<u>432,123,539</u>
Totals at historical cost	<u>446,967,801</u>	<u>9,821,066</u>	<u>(2,961,628)</u>	<u>453,827,239</u>
Less accumulated depreciation:				
Intangibles	235,576	21,416	-	256,992
Buildings and improvements	9,854,953	373,407	-	10,228,360
Machinery and equipment	319,210,789	6,486,011	(390,745)	325,306,055
Total accumulated depreciation	<u>329,301,318</u>	<u>6,880,834</u>	<u>(390,745)</u>	<u>335,791,407</u>
Capital assets, net	<u>\$ 117,666,483</u>	<u>\$ 2,940,232</u>	<u>\$ (2,570,883)</u>	<u>\$ 118,035,832</u>

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<i>Nondepreciable capital assets:</i>				
Land	\$ 1,838,309	\$ 25,000	\$ -	\$ 1,863,309
Construction in progress	15,970,185	4,534,283	(1,829,557)	18,674,911
Subtotal	<u>17,808,494</u>	<u>4,559,283</u>	<u>(1,829,557)</u>	<u>20,538,220</u>
<i>Capital assets being depreciated:</i>				
Intangibles	1,070,786	-	-	1,070,786
Buildings and improvements	21,962,642	221,489	-	22,184,131
Machinery and equipment	398,223,752	5,608,184	(657,272)	403,174,664
Subtotal	<u>421,257,180</u>	<u>5,829,673</u>	<u>(657,272)</u>	<u>426,429,581</u>
Totals at historical cost	<u>439,065,674</u>	<u>10,388,956</u>	<u>(2,486,829)</u>	<u>446,967,801</u>
Less accumulated depreciation:				
Intangibles	214,160	21,416	-	235,576
Buildings and improvements	9,485,767	369,186	-	9,854,953
Machinery and equipment	313,297,285	6,554,955	(641,451)	319,210,789
Total accumulated depreciation	<u>322,997,212</u>	<u>6,945,557</u>	<u>(641,451)</u>	<u>329,301,318</u>
Capital assets, net	<u>\$ 116,068,462</u>	<u>\$ 3,443,399</u>	<u>\$ (1,845,378)</u>	<u>\$ 117,666,483</u>

6. LONG-TERM DEBT

On September 9, 2009, the Electric System issued \$18,620,000 in Series 2009A Electric System Revenue Bonds and \$14,520,000 in Series 2009B Taxable Electric System Build America Revenue Bonds to currently refund bond anticipation notes and provide funding for Electric System transmission and distribution improvements. With the issuance of the Build America Bonds, the Electric System will be entitled to receive an interest subsidy payment of 35% from the U.S. Treasury on any interest payment date. The Series 2009A revenue bonds fully matured during 2019. The Series 2009B Build America Bonds were refunded in 2019, as discussed below.

In April 2018, the Electric System currently refunded the 2017 Notes through the issuance of \$12,980,000 of Series 2018 Electric System Refunding Revenue Bonds. These bonds fully mature in 2030 and bear interest from 3.0% to 5.0% per annum. The refunding reduced the Electric System's debt service payments over the life of the refunding bonds and notes by \$802,095. The economic gain (difference between the present values of the old and new debt service payments) was \$727,702.

In December 2019, the Electric System defeased \$14,520,000 of the Series 2009B Build America Bonds through the issuance of \$11,285,000 of Series 2019 Electric System Mortgage Revenue Refunding Bonds, and additional cash on hand. These bonds fully mature in 2039 and bear interest between 3.0 to 4.0 percent per annum. The net proceeds of the Series 2019 bonds have been used to currently refund the Series 2009B bonds. The Electric System reduced its aggregate debt service payments over the life of the refunded bonds by \$6,536,699 and obtained an economic gain (difference between present values of the old and new debt service payments) of \$2,310,855.

Also in December 2019, the Electric System issued \$15,600,000 of Series 2019 Electric System Mortgage Revenue Bonds to construct a new substation and other necessary improvements. These bonds mature in 2049 and bear interest between 3.0 to 4.0 percent per annum.

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

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Series 2009A Revenue Bonds	\$ 920,000	\$ -	\$ (920,000)	\$ -	\$ -
Series 2009B Revenue BABs	14,520,000	-	(14,520,000)	-	-
Series 2018 Revenue Bonds	12,580,000	-	-	12,580,000	890,000
Series 2019 Revenue Refunding Bonds	-	11,285,000	-	11,285,000	105,000
Series 2019 Revenue Bonds	-	15,600,000	-	15,600,000	215,000
Less deferred amount:					
for issuance discounts	(57,172)	(151,394)	57,172	(151,394)	-
for issuance premiums	921,147	2,554,328	(76,762)	3,398,713	-
Net pension liability-OPERS	8,807,947	7,480,160	-	16,288,107	-
Net OPEB liability-OPERS	6,168,113	1,685,694	-	7,853,807	-
Total OPEB liability-Retiree Life	265,451	35,141	-	300,592	-
Compensated absences	1,202,247	647,877	(598,266)	1,251,858	671,803
	<u>\$ 45,327,733</u>	<u>\$ 39,136,806</u>	<u>\$ (16,057,856)</u>	<u>\$ 68,406,683</u>	<u>\$ 1,881,803</u>

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

	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Within One Year
Series 2009A Revenue Bonds	\$ 1,810,000	\$ -	\$ (890,000)	\$ 920,000	\$ 920,000
Series 2009B Revenue BABs	14,520,000	-	-	14,520,000	-
Series 2018 Revenue Bonds	-	12,980,000	(400,000)	12,580,000	-
Less deferred amount:					
for issuance discounts	(60,477)	-	3,305	(57,172)	-
for issuance premiums	-	997,909	(76,762)	921,147	-
Notes payable	13,795,000	-	(13,795,000)	-	-
Net pension liability-OPERS	12,116,488	-	(3,308,541)	8,807,947	-
Net OPEB liability-OPERS	5,380,506	787,607	-	6,168,113	-
Total OPEB liability-Retiree Life	277,234	-	(11,783)	265,451	-
Compensated absences	1,003,156	688,652	(489,561)	1,202,247	598,266
	<u>\$ 48,841,907</u>	<u>\$ 15,454,168</u>	<u>\$ (18,968,342)</u>	<u>\$ 45,327,733</u>	<u>\$ 1,518,266</u>

Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The revenue bonds are insured under municipal bond insurance policies. Under the terms of the policies, the payments of principal and interest are guaranteed by the insurer.

A summary of the Electric System's annual debt service requirements as of December 31, 2019 follows:

	Principal	Interest	Total
2020	\$ 1,210,000	\$ 1,382,672	\$ 2,592,672
2021	1,240,000	1,529,300	2,769,300
2022	1,285,000	1,470,300	2,755,300
2023	1,355,000	1,409,150	2,764,150
2024	1,425,000	1,341,400	2,766,400
2025-2029	8,235,000	5,592,650	13,827,650
2030-2034	8,135,000	3,913,100	12,048,100
2035-2039	9,340,000	2,235,600	11,575,600
2040-2044	3,350,000	891,000	4,241,000
2045-2049	<u>\$ 3,890,000</u>	<u>\$ 356,850</u>	<u>\$ 4,246,850</u>
Total	<u>\$ 39,465,000</u>	<u>\$ 20,122,022</u>	<u>\$ 59,587,022</u>

7. DEFINED BENEFIT PENSION PLANS

The Electric System contributes to the Ohio Public Employees Retirement System.

A. Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Electric System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Electric System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows for 2019 and 2018:

Statutory Maximum Contribution Rates

Employer	14.0 %
Employee	10.0 %

Actual Contribution Rates

Employer:		
Pension	14.0 %	
Post-employment Health Care Benefits	0.0 %	
	<hr/>	
Total Employer	14.0 %	
	<hr/>	
Employee	10.0 %	
	<hr/>	

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Electric System’s contractually required contributions were \$1,172,651 and \$1,059,572 for 2019 and 2018, respectively. Of this amount, \$35,433 was reported as an intergovernmental payable in 2019 and \$28,952 in 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions .The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Electric System's proportion of the net pension liability was based on the Electric System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2019</u>	<u>2018</u>
Proportionate Share of the Net Pension Liability	\$ 16,288,107	\$ 8,807,947
Proportion of the Net Pension Liability	0.0594718%	0.0561443%
Change in Proportion	0.0033275%	0.0027872%
Pension Expense	\$ 3,732,228	\$ 1,930,579

At December 31, 2019 and 2018, the Electric System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 2,210,752	\$ -
Electric System change in proportionate share	192,885	394,944
Changes in assumptions	1,417,920	1,052,609
Differences between expected and actual experience	751	8,995
Electric System contributions subsequent to the measurement date	<u>1,172,651</u>	<u>1,059,572</u>
Total Deferred Outflows of Resources	<u>\$ 4,994,959</u>	<u>\$ 2,516,120</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,890,950
Electric System change in proportionate share	-	27,251
Differences between expected and actual experience	<u>213,873</u>	<u>173,577</u>
Total Deferred Inflows of Resources	<u>\$ 213,873</u>	<u>\$ 2,091,778</u>

\$1,172,651 reported as deferred outflows of resources related to pension resulting from the Electric System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2020	\$ 1,668,917
2021	710,585
2022	204,374
2023	<u>1,024,559</u>
Total	<u>\$ 3,608,435</u>

Actuarial Assumptions. 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.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return:	
Current measurement period	7.2 percent
Prior measurement period	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Electric System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Electric System’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Electric System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6. 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%)
Electric System's proportionate share of the net pension liability	\$ 24,062,247	\$ 16,288,107	\$ 9,827,697

8. DEFINED BENEFIT OPEB PLANS

The Electric System contributes to the Ohio Public Employees Retirement System and the City's Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Electric System's contractually required contributions were \$0 for 2019 and 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Electric System's proportion of the net OPEB liability was based on the Electric System's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2019</u>	<u>2018</u>
Proportionate Share of the Net OPEB Liability	\$ 7,853,807	\$ 6,168,113
Proportion of the Net OPEB Liability	0.0602395%	0.0568005%
Change in Proportion	0.0034390%	0.0035299%
OPEB Expense	\$ 667,376	\$ 626,171

At December 31, 2019 and 2018, the Electric System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 360,052	\$ -
Electric System change in proportionate share	125,889	241,211
Changes in assumptions	253,216	449,104
Differences between expected and actual experience	<u>2,658</u>	<u>4,805</u>
Total Deferred Outflows of Resources	<u><u>\$ 741,815</u></u>	<u><u>\$ 695,120</u></u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 459,483
Differences between expected and actual experience	<u>21,308</u>	<u>-</u>
Total Deferred Inflows of Resources	<u><u>\$ 21,308</u></u>	<u><u>\$ 459,483</u></u>

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:	
2020	\$ 399,817
2021	82,736
2022	58,633
2023	<u>179,321</u>
Total	<u><u>\$ 720,507</u></u>

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

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment Rate of Return:	
Current measurement period	6.00 percent
Prior measurement period	6.50 percent
Municipal Bond Rate	
Current measurement period	3.71 percent
Prior measurement period	3.31 percent
Health Care Cost Trend Rate:	
Current measurement period	10.0 percent, initial
	3.25 percent, ultimate in 2029
Prior measurement period	7.50 percent, initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	<u>17.00%</u>	<u>5.57%</u>
Total	<u>100.00%</u>	<u>5.16%</u>

Discount Rate. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Electric System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Electric System’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Electric System’s proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.96 percent) or 1.0 percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Electric System's proportionate share of the net OPEB liability	\$ 10,047,668	\$ 7,853,807	\$ 6,108,717

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Electric System's proportionate share of the net OPEB liability	\$ 7,549,004	\$ 7,853,807	\$ 8,204,391

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Electric System's contractually required contributions were \$17,258 in 2019 and \$16,780 in 2018.

At December 31, 2019, the number of plan-wide active participants and retirees were 591 and 650, respectively, and 597 and 632 at December 31, 2018, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan were determined by an actuarial valuation as of December 31, 2019. Following is information related to the changes in total OPEB liability:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability, beginning of year	\$ 265,451	\$ 277,234
Service cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	<u>(17,258)</u>	<u>(16,780)</u>
Total OPEB Liability, end of year	<u>\$ 300,592</u>	<u>\$ 265,451</u>
 Retiree Life Insurance Plan OPEB expense	 \$2,078	 (\$5,102)

At December 31, 2019 and 2018, the Electric System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 26,376	\$ -
Differences between expected and actual experience	<u>7,284</u>	<u>3,089</u>
Total Deferred Outflows of Resources	<u>\$ 33,660</u>	<u>\$ 3,089</u>
Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 6,479</u>	<u>\$ 8,970</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:		
2020	\$	6,637
2021		6,637
2022		7,291
2023		<u>6,616</u>
Total	\$	<u>27,181</u>

Actuarial Assumptions. 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 the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:	
Current measurement date	2.75 percent
Prior measurement date	3.80 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pri-2012
Retired	Pri-2012 Retiree
Disabled	Pri-2012 Disabled Retiree
Disabled	RP-2014 Total Mortality Table
Weighting	Amount-weighted
Future Improvement	Projected generationally using Scale MP-2019

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Electric System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.75 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.75 percent) and one-percentage-point higher (3.75 percent) than the current rate:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 341,181	\$ 300,592	\$ 267,358

9. RELATED PARTY TRANSACTIONS

Under an arrangement with the City, the Electric System provides street lighting and traffic light services to the City, without charge and the estimated operating cost of supplying these free services was \$295,000 in 2019 and \$288,000 in 2018. The City’s Gas System provides gas to the Electric System for use in the generation of electricity. Gas costs of \$151,000 in 2019 and \$86,000 in 2018 paid to the Gas System are included in operating expenses. The Electric System sells electricity to the City’s Water and Wastewater Systems. Included in revenues are sales to the Water System and Wastewater System in 2019 of \$1,669,423 (\$1,062,350 and \$607,073) and \$1,610,027 (\$971,234 and \$638,793) in 2018. The Electric System is allocated from the City a portion of the City’s administrative cost. In addition, it was charged expenses by the City’s internal service funds, which provide services to various City departments. Total expenses for these items were approximately \$3,880,000 in 2019 and \$3,978,000 in 2018 and is included in other operating expenses.

10. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City involving the Electric System. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the financial position of the Electric System.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Electric System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

12. JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS

The City of Hamilton is a member of a number of Governmental Joint Ventures and Jointly Governed Organizations as described in GASB Statement No. 61, *The Financial Reporting Entity*. The following is a list of organizations and a brief description of the Joint Venture and the Jointly Governed Organizations pertaining specifically to the Electric System of the City.

(a) AMP, Inc. – The City is a founding member of American Municipal Power, Inc. (AMP). AMP is a non-profit corporation organized under Ohio law and Internal Revenue Code Section 501 and is a jointly governed organization. The organization operates on a non-profit basis for the mutual benefit of its member municipalities, all of whom own or operate a municipal electric system. The non-profit corporation is dedicated to providing member assistance and low-cost power supplies.

The controlling board of AMP, Inc. is based upon a representative from several of the member communities. The degree of control exercised by any participating government is limited to its representation on the board. The continued existence of the corporation is not dependent upon the City. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43229.

(b) American Municipal Power (AMP) – OMEGA JV2 Project – In December 2000, the City became a part of the OMEGA (Ohio Municipal Energy Generation Association) JV2 Project. The OMEGA JV2 project is a joint venture among the City of Hamilton and 35 other participating municipalities created under the auspices of the Ohio Constitution section XVIII, Sections 3 and 4 and Ohio Revised Code Section 715.02. All of the participating communities are members of AMP, Inc. and the joint venture has appointed that non-profit corporation to perform certain management functions. The purpose of the joint venture is to create distributive generation among the participating members allowing for increased electric production capacity during peak demand. The degree of control exercised by any participating member is weighted in proportion to each participant's project share, which is 23.87 percent for the City (a non-majority voting position). Project share is equal to the amount of the distributive generation capacity for each of the members. Membership in the joint venture is defined as financing or non-financing participant, as well as owner or purchasing participant, for which the City qualified as a financing, purchasing participant. As a financing participant, the City makes payments to OMEGA JV2.

The following amounts were expended by the Electric Fund and recorded within the Purchase of Electric expense account to the OMEGA JV2 of \$0 in 2019 and \$1,029,568 in 2018.

The continued existence of OMEGA JV2 is dependent upon the City's continued participation but the City, as a financing purchasing participant, does not have an equity interest in OMEGA JV2. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43219.

(c) Meldahl Hydroelectric Project – AMP constructed a three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing dam, on the Ohio River, constructed by the United States Army Corps of Engineers and of related equipment and associated transmission facilities (the "Meldahl Project"). Now that the Meldahl Project has entered commercial operation, it has a generating capacity of approximately 105 MW. The City of Hamilton and AMP hold, as co-licensees, the Federal Energy Regulatory Commission license to operate the Meldahl Project.

The City of Hamilton has executed a take-or-pay power sales contract with AMP for a Project Share of 54 MW, or 51.4 percent, of capacity and associated energy from the Meldahl Project.

Pursuant to the various agreements between the City of Hamilton and AMP, the Meldahl Project is owned by Meldahl, LLC, a single member, Delaware not-for-profit limited liability company (“Meldahl LLC”). AMP is the sole member of Meldahl, LLC and appoints three members of its Board of Directors (the Meldahl Board). AMP acting as agent of Meldahl LLC, has financed the development, acquisition, construction and equipping of the Meldahl Project. In order to finance the construction of the Meldahl Project and related costs, in 2010 and 2011 AMP issued six series of \$685,100,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. The Meldahl Project entered commercial operation on April 12, 2016.

13. CONTRACTUAL COMMITMENTS

At December 31, 2019, the Electric System had contractual commitments of approximately \$3,501,000 related to property, plant and equipment improvements and additions, as well as various other contract and agreements to provide or receive services related to the Electric System operations.

14. CLOSURE OF THE ELECTRIC SYSTEM TO COMPETITION

In March 2002, the Hamilton City Council adopted an ordinance effectively closing the municipal borders of the City to electric deregulation. With the adoption of the ordinance, electric customers within these corporate boundaries must purchase their electricity from the Hamilton Electric System.

15. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Electric System’s operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Electric System for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Electric System’s financial position, changes in financial position, and timing and amount of cash flows, the related financial consequences and duration are highly uncertain.

**CITY OF HAMILTON - ELECTRIC SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SIX MEASUREMENT PERIODS**

	Electric System's Proportion of the Net Pension Liability	Electric System's Proportionate Share of the Net Pension Liability	Electric System's Covered Payroll	Electric System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0568681%	\$ 6,707,570	\$ 6,440,385	104.15%	86.36%
2015	0.0568681%	6,858,924	6,999,658	97.99%	86.45%
2016	0.0516665%	8,949,281	6,614,758	135.29%	81.08%
2017	0.0533571%	12,116,488	6,743,650	179.67%	77.25%
2018	0.0561443%	8,807,947	7,559,592	116.51%	84.66%
2019	0.0594718%	16,288,107	7,568,371	215.21%	74.70%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST SEVEN YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Electric System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 837,250	\$ (837,250)	\$ -	\$ 6,440,385	13.00%
2014	839,959	(839,959)	-	6,999,658	12.00%
2015	793,771	(793,771)	-	6,614,758	12.00%
2016	809,238	(809,238)	-	6,743,650	12.00%
2017	982,747	(982,747)	-	7,559,592	13.00%
2018	1,059,572	(1,059,572)	-	7,568,371	14.00%
2019	1,172,651	(1,172,651)	-	8,376,079	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2018.

Changes in assumptions:

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

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

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

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

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

**CITY OF HAMILTON - ELECTRIC SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST THREE MEASUREMENT PERIODS**

	Electric System's Proportion of the Net OPEB Liability	Electric System's Proportionate Share of the Net OPEB Liability	Electric System's Covered Payroll	Electric System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0532705%	\$ 5,380,506	\$ 6,743,650	79.79%	54.05%
2018	0.0568005%	6,168,113	7,559,592	81.59%	54.14%
2019	0.0602395%	7,853,807	7,568,371	103.77%	46.33%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FOUR YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Electric System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 134,873	\$ (134,873)	\$ -	\$ 6,743,650	2.00%
2017	75,596	(75,596)	-	7,559,592	1.00%
2018	-	-	-	7,568,371	0.00%
2019	-	-	-	8,376,079	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

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

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

**CITY OF HAMILTON - ELECTRIC SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
 SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
 LAST THREE YEARS**

	Electric System's Proportion Total OPEB Liability	Electric System's Covered- Employee Payroll	Electric System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 7,559,592	3.67%
2018	265,451	\$ 7,568,371	3.51%
2019	300,592	\$ 8,376,079	3.59%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 LAST TWO YEARS**

	2019	2018
Beginning Total OPEB Liability	\$ 265,451	\$ 277,234
Service Cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	(17,258)	(16,780)
Ending Total OPEB Liability	<u>\$ 300,592</u>	<u>\$ 265,451</u>

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018 and 2019.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

This page intentionally left blank.

CITY OF HAMILTON, OHIO – GAS SYSTEM

Financial Statements

Years Ended December 31, 2019 and 2018

With Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 9
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13 – 34
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	35
Schedule of Pension Contributions	35
Schedule of the Proportionate Share of the Net OPEB Liability.....	36
Schedule of OPEB Contributions	36
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	37

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Gas System, an enterprise fund of the City of Hamilton, Ohio (the Gas System), as of and for the years ended December 31, 2019 and 2018 and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Gas System as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Gas System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Gas System. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2020

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Gas System's financial performance provide an overall review of that system's financial activities for the years ended December 31, 2019 and 2018. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position, Revenues, Expenses and Changes in Net Position, and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2019 and 2018 are as follows:

- ❑ The assets and deferred outflow of resources of the Hamilton Gas System exceeded its liabilities and deferred inflows of resources at the close of 2019 and 2018 by \$32,542,520 and \$32,239,065 (net position), respectively. Of these amounts, \$1,460,088 and \$846,279 (unrestricted net position) in those years were available to meet the system's ongoing obligations to customers and creditors.
- ❑ The system's total net position increased by \$303,455 between 2019 and 2018, representing 0.9% increase.
- ❑ In 2019, the Gas System's total long-term debt decreased during 2019 by \$585,000 to \$6,380,000 due to making annual debt service payments.

Gas System Summary

The City has owned and operated a natural gas utility system since 1890. It is currently the largest municipal gas distribution operation in Ohio and serves approximately 23,400 customers located in the City and the immediate environs through approximately 275 miles of pipe. The City purchases natural gas from a supplier, then resells the gas to residential and general service (commercial and industrial) customers. The City also provides distribution delivery service to customers who have contracted with either the City or a natural gas supplier.

The Gas System provides full service (acquisition of gas supply, transportation of the gas supply to the City's interconnections and distribution of gas supply from the City's interconnections to the customer meter) and distribution delivery service (distribution delivery of the gas arranged for by, or on behalf of, the customer from the City's interconnections to the customer's meter.) Currently, the Gas System provides full service to residential and general service customers.

There are no franchise service territories for natural gas utilities in Ohio and the City is not prohibited from providing gas service in areas outside its corporate limits. Under the Ohio Constitution, however, the City's gas utility sales outside the corporate limits may not exceed 50% of the total service supplied within the City's corporate limits. Currently, less than 1% of the City's total gas sales are to customers located outside the City's corporate limits.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

The City is a participant, with other AMP communities in the AMP Fremont Energy Center (AFEC). The City is entitled to 11.55 MW of capacity from AFEC. Additionally, the City began utilizing its buying power through the Muni-Gas Program, in 2013, to serve as a gas supply intermediary for the City's allocation of gas at AFEC. The City passes along 50% of the savings from the Muni-Gas Discount to AFEC and retains the other 50% for Hamilton Gas System. In 2019, the Gas System sold 1,456,627 Dths to AFEC, via The Energy Authority, totaling \$3.2 million, or approximately \$2.36/Dth. These sales to AFEC netted approximately \$218,500 for the Gas System.

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Gas System for the years ended December 31, 2019 and 2018.

Reporting Hamilton's Gas System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Gas System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Gas System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2019 and 2018. The City of Hamilton's Gas System is reported as a business-type, enterprise fund and is considered a major fund for purposes of individual fund reporting. Payments made from the Gas Fund are restricted to Gas System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the system looks at all financial transactions of the Gas Fund and asks the question, "How did we do financially during 2019 and 2018?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources, liabilities, and deferred inflows of resources of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the changes in the net positions. The change in net position is important because it tells the reader whether, for the System, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Gas System's Financial Statements provide additional information that is essential to a full understanding of the data provided.

The System provides services that have a charge based upon the amount of usage. The City's Gas System charges fees to recoup the cost of the entire operation of the Gas System as well as all capital expenses associated with these facilities.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Gas Fund, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$32,542,520 and \$32,239,065 as of December 31, 2019 and 2018, respectively. By far the largest portion of the net position of the Gas System reflect its investment in capital assets (e.g. land, buildings, improvements, construction in progress, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The ratios of net investment in capital assets to total net position are as follows: 88% for 2019, 90% for 2018, and 91% for 2017. The System employs these assets in the delivery of natural gas to customers; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt and the resources needed to repay these debts must be provided from other sources, primarily the revenues of the System, since the capital assets themselves cannot be used to liquidate the liabilities.

Table 1 provides a summary of the Gas System's Statement of Net Position for the Years Ended December 31, 2019, 2018 and 2017:

	2019	2018	2017
Current and other assets	\$ 11,529,343	\$ 11,233,625	\$ 10,096,441
Capital assets	33,551,244	34,061,881	34,287,960
Total assets	<u>45,080,587</u>	<u>45,295,506</u>	<u>44,384,401</u>
Deferred outflows of resources	1,368,588	905,020	1,181,440
Long-term liabilities:			
Net pension liability	3,108,207	1,739,203	2,230,562
OPEB liabilities	1,799,308	1,483,397	1,339,660
Other long-term amounts	5,909,755	6,525,244	5,401,118
Other liabilities	3,038,030	3,701,245	3,551,341
Total liabilities	<u>13,855,300</u>	<u>13,449,089</u>	<u>12,522,681</u>
Deferred inflows of resources	51,355	512,372	48,990
Net investment in capital assets	28,582,432	28,892,737	29,910,088
Restricted	2,500,000	2,500,049	2,500,049
Unrestricted	1,460,088	846,279	584,033
Total net position	<u>\$ 32,542,520</u>	<u>\$ 32,239,065</u>	<u>\$ 32,994,170</u>

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

The net pension liability (NPL) is reported by the Gas System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Gas System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Gas System'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 following discussion pertains to the net pension and net OPEB liabilities reported in the Gas System's financial statements as a result of the Gas System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Gas System's financial statements reflects OPEB benefits provided by the Gas System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Gas System'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 Gas System 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.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

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 Statement No. 68 and GASB Statement No. 75, the Gas System's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As of December 31, 2019 and 2018, the Gas System was able to report a positive balances in net position of \$32,542,520 and \$32,239,065, respectively. In 2019, the Gas System reported an increase in net position of \$303,455 and a decrease of \$755,105 in 2018. In 2019, the Gas System reported operating income of \$305,996 and operating losses of \$586,573 and \$1,360,369, in 2018 and 2017, respectively. Net operating income of \$305,996 is an increase of \$892,569 from 2019 to 2018. A decrease in operating revenues and expenses in 2019 was attributable to a milder winter resulting in less customer usage and less expensive unit cost, contrary to 2018, when customer demand and related operating costs were at normal operating levels. Net non-operating expenses of \$2,541 decreased by \$165,991, primarily due to better investment rates on higher cash and investment balances and fewer disposals of capital assets.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Statements of Revenues, Expenses and Changes in Net Position

	2019	2018	2017
Operating revenues	\$ 21,076,426	\$ 21,756,412	\$ 18,482,683
Operating expenses:			
Purchased gas	10,660,616	12,393,501	10,138,730
Depreciation	2,059,407	2,193,772	2,370,065
Other operating expenses	8,050,407	7,755,712	7,334,257
Total operating expenses	<u>20,770,430</u>	<u>22,342,985</u>	<u>19,843,052</u>
Operating income (loss)	305,996	(586,573)	(1,360,369)
Non-Operating revenues (expenses)			
Interest and fiscal charges	(213,621)	(191,836)	(206,091)
Loss on disposal of capital assets	(16,984)	(99,823)	(119,996)
Other non-operating revenues	228,064	123,127	48,364
Total non-operating revenues (expenses)	<u>(2,541)</u>	<u>(168,532)</u>	<u>(277,723)</u>
Change in net position	303,455	(755,105)	(1,638,092)
Beginning net position	<u>32,239,065</u>	<u>32,994,170</u>	N/A
Ending net position	<u>\$ 32,542,520</u>	<u>\$ 32,239,065</u>	<u>\$ 32,994,170</u>

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Gas System as of December 31, 2019, 2018, and 2017 amounted to \$28.6 million, \$28.9 million and \$29.9 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment. Significant capital activity during the year included gas main and meter replacements.

Note 5 (Capital Assets) provides Gas System capital asset activity during 2019 and 2018.

Debt Administration: At the end of 2019, the Gas System had two outstanding long-term revenue bond issues. The 2017 Gas System Revenue Refunding and Improvement Bonds, which had an outstanding balance of \$4,715,000 as of December 31, 2019, was issued to refund the Series 2009 Revenue bonds and provided \$1,960,000 in new financing for Gas System improvements. The 2018 Gas System Revenue Improvement Bonds of \$1,665,000 were issued in August 2018 to provide funding for the Lindenwald gas main replacement project.

See Note 6 for a discussion of outstanding Gas System bonds and related activity.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Economic Factors and Future Trends

The City's Gas System is continually monitoring the cost of natural gas. Due to high volatility in the cost of natural gas, the City is required by both ordinance and indentures to pass through these gas costs to its customers via the gas cost recovery charge (GCR). The GCR averaged a credit of \$0.05/Ccf for 2019. In 2017, the City entered a five-year fixed price contract for natural gas to help mitigate the natural gas prices for its customers. The overall number of customers has remained relatively steady while, like most gas systems, the usage per residential customer has continued to slowly decline as a result of improved efficiency of appliances.

In September 2011, City Council adopted an ordinance, creating the Natural Gas Residential Service Line Maintenance (RSLM) Program and Rider C for the Gas System. The RSLM and Rider C charges apply only to the City's residential gas accounts. The RSLM and funds collected through Rider C are earmarked for two separate and distinct activities: the replacement of Design A (field-assembled risers), in compliance with a Public Utilities Commission of Ohio (PUCO) Statewide order, and the assumption of the maintenance responsibility of gas service lines to residential customers by the City. The riser replacement portion of the RSLM was scheduled to be a five-year program, with a corresponding five-year collection period through Rider C. Beginning with the rates adopted in December 2017, all riser replacement costs are being collected in the base gas service rates to more accurately reflect the cost of service. Furthermore, the Rider C charge was set to zero at the time of the first step of the two-year plan in 2018.

Natural gas prices have reduced recently due to extraction of shale gas and reduced demand. The City continues to monitor potential threats to supply and the City's Gas System has continued its strong financial performance into 2019. The City maintains an A1 bond rating with a stable outlook for its Gas System and its 2009 Gas System Revenue Bonds.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Gas System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – GAS SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and investments	\$ 5,325,369	4,950,209
Accounts receivable (less allowance for uncollectible accounts of \$2,379,673 and \$2,362,448, respectively)	3,432,027	3,466,405
Interest receivable	15,464	17,536
Inventory of supplies at cost	176,047	178,801
Prepaid expenses	80,436	120,625
Total current assets	<u>9,029,343</u>	<u>8,733,576</u>
Restricted assets:		
Cash and investments	<u>2,500,000</u>	<u>2,500,049</u>
Noncurrent assets:		
Nondepreciable capital assets	2,710,070	3,638,610
Depreciable capital assets, net	30,841,174	30,423,271
Total noncurrent assets	<u>33,551,244</u>	<u>34,061,881</u>
Total assets	<u>45,080,587</u>	<u>45,295,506</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	238,085	267,845
Pension	954,451	496,829
OPEB	176,052	140,346
Total deferred outflows of resources	<u>1,368,588</u>	<u>905,020</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,303,869	2,074,835
Accrued wages and benefits	93,873	37,231
Intergovernmental payable	31,164	5,914
Accrued interest payable	36,490	40,762
Customer deposits payable	783,808	787,257
Compensated absences payable-current	183,826	170,246
Revenue bonds payable-current	605,000	585,000
Total current liabilities	<u>3,038,030</u>	<u>3,701,245</u>
Noncurrent liabilities:		
Compensated absences payable	134,755	145,244
Revenue bonds payable	5,775,000	6,380,000
Net pension liability	3,108,207	1,739,203
Net OPEB liability	1,498,716	1,217,946
Total OPEB liability	300,592	265,451
Total noncurrent liabilities	<u>10,817,270</u>	<u>9,747,844</u>
Total liabilities	<u>13,855,300</u>	<u>13,449,089</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	40,810	412,673
OPEB	10,545	99,699
Total deferred inflows of resources	<u>51,355</u>	<u>512,372</u>
NET POSITION		
Net investment in capital assets	28,582,432	28,892,737
Restricted for debt service	-	49
Restricted for rate stabilization	2,500,000	2,500,000
Unrestricted	1,460,088	846,279
Total net position	<u>\$ 32,542,520</u>	<u>32,239,065</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - GAS SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 21,021,603	21,722,101
Other operating revenues	<u>54,823</u>	<u>34,311</u>
Total operating revenues	<u>21,076,426</u>	<u>21,756,412</u>
Operating expenses:		
Personal services	3,076,586	2,620,314
Materials and supplies	213,164	208,173
Contractual services	1,216,223	1,141,090
Purchased gas	10,660,616	12,393,501
Depreciation	2,059,407	2,193,772
Other operating expenses	<u>3,544,434</u>	<u>3,786,135</u>
Total operating expenses	<u>20,770,430</u>	<u>22,342,985</u>
Operating income (loss)	305,996	(586,573)
Non-operating revenues (expenses):		
Investment earnings	228,064	123,127
Loss on disposal of capital assets	(16,984)	(99,823)
Interest and fiscal charges	<u>(213,621)</u>	<u>(191,836)</u>
Total non-operating revenues (expenses)	<u>(2,541)</u>	<u>(168,532)</u>
Change in net position	303,455	(755,105)
Net position - beginning of year	<u>32,239,065</u>	<u>32,994,170</u>
Net position - end of year	\$ <u>32,542,520</u>	<u>32,239,065</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - GAS SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 21,110,804	22,047,042
Cash paid for employee services and benefits	(2,261,679)	(2,248,575)
Cash paid to suppliers for goods and services	<u>(16,313,440)</u>	<u>(17,398,155)</u>
Net cash from operating activities	<u>2,535,685</u>	<u>2,400,312</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisition	(1,617,577)	(2,142,824)
Debt proceeds	-	1,720,000
Debt principal payments	(585,000)	(525,000)
Debt interest payments	<u>(188,133)</u>	<u>(149,193)</u>
Net cash from capital and related financing activities	<u>(2,390,710)</u>	<u>(1,097,017)</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>230,136</u>	<u>116,320</u>
Net cash flow from investing activities	<u>230,136</u>	<u>116,320</u>
Net change in cash and investments	375,111	1,419,615
Cash and investments at beginning of year	<u>7,450,258</u>	<u>6,030,643</u>
Cash and investments at end of year	<u>\$ 7,825,369</u>	<u>7,450,258</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ 305,996	(586,573)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	2,059,407	2,193,772
Change in deferred outflows-pension and OPEB	(493,328)	246,660
Change in deferred inflows-pension and OPEB	(461,017)	463,382
Changes in Assets and Liabilities:		
(Increase) decrease in receivables	34,378	290,630
(Increase) decrease in inventory	2,754	(1,167)
(Increase) decrease in prepaid items	40,189	(225)
Increase (decrease) in customer deposits payable	(3,449)	29,596
Increase (decrease) in payables	(719,143)	105,631
Increase (decrease) in accrued liabilities	59,733	5,222
Increase (decrease) in intergovernmental payables	25,250	1,006
Increase (decrease) in net pension liability	1,369,004	(491,359)
Increase (decrease) in net OPEB liability	280,770	155,520
Increase (decrease) in total OPEB liability	<u>35,141</u>	<u>(11,783)</u>
Net cash from operating activities	<u>\$ 2,535,685</u>	<u>2,400,312</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	<u>\$ 28,444</u>	<u>80,267</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – GAS SYSTEM

Notes to Financial Statements Year Ended December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Gas System (Gas System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Gas System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Gas System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Gas System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Gas System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Gas System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Gas System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Compensated Absences – The Gas System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Gas System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued, and the obligation is incurred. For purposes of measuring the net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting 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) until then. The Gas System reports deferred outflows of resources for deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pension/OPEB amounts are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Gas System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Gas System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

2. CASH AND INVESTMENTS

The Gas System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Gas System totaled \$7,825,369 and \$7,450,258 at December 31, 2019 and 2018, respectively, and consisted of demand deposits, money market funds, commercial paper, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Cash and investments held by trustees were \$0 and \$49 at December 31, 2019 and 2018, respectively.

STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. Investments in STAR Ohio are measured 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. For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2019 and 2018, approximately 95% of the City’s deposits with financial institutions, including the amount of pooled deposits related to the Gas System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Gas System’s uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Gas Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of “safekeeping” accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S. agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk.

The City’s pooled investments, as well as the investments held by trustees specifically for the Gas System, are invested primarily in U.S. governmental agency securities with an AA+ credit rating and an average maximum maturity of 1.76 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Earned and unbilled consumer accounts	\$ 1,996,270	1,894,645
Earned and billed consumer accounts	3,815,430	3,934,208
Less allowance for uncollectible accounts	<u>(2,379,673)</u>	<u>(2,362,448)</u>
Total	<u>\$ 3,432,027</u>	<u>3,466,405</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$2,500,000 and \$2,500,049 at December 31, 2019 and 2018, respectively.

This space intentionally left blank.

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2019 and 2018 was as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Capital assets not being depreciated:</i>				
Land	\$ 710,882	\$ -	\$ -	\$ 710,882
Construction in progress	<u>2,927,728</u>	<u>42,217</u>	<u>(970,757)</u>	<u>1,999,188</u>
Subtotal	<u>3,638,610</u>	<u>42,217</u>	<u>(970,757)</u>	<u>2,710,070</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,339,113	-	-	1,339,113
Machinery and equipment	<u>78,267,215</u>	<u>2,494,294</u>	<u>(253,867)</u>	<u>80,507,642</u>
Subtotal	<u>79,606,328</u>	<u>2,494,294</u>	<u>(253,867)</u>	<u>81,846,755</u>
Totals at historical cost	<u>83,244,938</u>	<u>2,536,511</u>	<u>(1,224,624)</u>	<u>84,556,825</u>
Less accumulated depreciation:				
Buildings and improvements	885,666	78,539	-	964,205
Machinery and equipment	<u>48,297,391</u>	<u>1,980,868</u>	<u>(236,883)</u>	<u>50,041,376</u>
Total accumulated depreciation	<u>49,183,057</u>	<u>2,059,407</u>	<u>(236,883)</u>	<u>51,005,581</u>
Capital assets, net	<u>\$ 34,061,881</u>	<u>\$ 477,104</u>	<u>\$ (987,741)</u>	<u>\$ 33,551,244</u>
	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<i>Capital assets not being depreciated:</i>				
Land	\$ 710,882	\$ -	\$ -	\$ 710,882
Construction in progress	<u>2,278,273</u>	<u>1,351,324</u>	<u>(701,869)</u>	<u>2,927,728</u>
Subtotal	<u>2,989,155</u>	<u>1,351,324</u>	<u>(701,869)</u>	<u>3,638,610</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,339,113	-	-	1,339,113
Machinery and equipment	<u>77,015,813</u>	<u>1,418,061</u>	<u>(166,659)</u>	<u>78,267,215</u>
Subtotal	<u>78,354,926</u>	<u>1,418,061</u>	<u>(166,659)</u>	<u>79,606,328</u>
Totals at historical cost	<u>81,344,081</u>	<u>2,769,385</u>	<u>(868,528)</u>	<u>83,244,938</u>
Less accumulated depreciation:				
Buildings and improvements	794,658	91,008	-	885,666
Machinery and equipment	<u>46,261,463</u>	<u>2,102,764</u>	<u>(66,836)</u>	<u>48,297,391</u>
Total accumulated depreciation	<u>47,056,121</u>	<u>2,193,772</u>	<u>(66,836)</u>	<u>49,183,057</u>
Capital assets, net	<u>\$ 34,287,960</u>	<u>\$ 575,613</u>	<u>\$ (801,692)</u>	<u>\$ 34,061,881</u>

6. LONG TERM DEBT

In August 2017, the Gas System defeased \$4,250,000 of Gas System Revenue Bonds through the issuance of \$5,840,000 of Revenue Refunding Bonds. A portion of the net proceeds of the 2017 Bonds were used to make current payments on the old bonds and the remaining proceeds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$3,445,000 at December 31, 2019, are not included in the Gas System's outstanding debt since the Gas System has in-substance satisfied its obligations through the advance refunding.

In August 2018, the Gas System issued \$1,720,000 in Series 2018 Gas System Improvement Bonds to provide funding for Gas System distribution improvements. The bonds fully mature on October 15, 2038 and bear interest of 3.8 percent per annum.

Activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
2017 Refunding Bonds	\$ 5,245,000	\$ -	\$ (530,000)	\$ 4,715,000	\$ 545,000
2018 Revenue Bonds	1,720,000	-	(55,000)	1,665,000	60,000
Net pension liability-OPERS	1,739,203	1,369,004	-	3,108,207	-
Net OPEB liability-OPERS	1,217,946	280,770	-	1,498,716	-
Total OPEB Liability-Retiree Life	265,451	35,141	-	300,592	-
Compensated absences	315,490	173,337	(170,246)	318,581	183,826
	<u>\$ 10,503,090</u>	<u>\$ 1,858,252</u>	<u>\$ (755,246)</u>	<u>\$ 11,606,096</u>	<u>\$ 788,826</u>

Activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
2017 Refunding Bonds	\$ 5,770,000	\$ -	\$ (525,000)	\$ 5,245,000	\$ 530,000
2018 Revenue Bonds	-	1,720,000	-	1,720,000	55,000
Net pension liability-OPERS	2,230,562	-	(491,359)	1,739,203	-
Net OPEB liability-OPERS	1,062,426	155,520	-	1,217,946	-
Total OPEB Liability-Retiree Life	277,234	-	(11,783)	265,451	-
Compensated absences	306,740	159,372	(150,622)	315,490	170,246
	<u>9,646,962</u>	<u>2,034,892</u>	<u>(1,178,764)</u>	<u>10,503,090</u>	<u>755,246</u>

Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The revenue bonds are insured under municipal bond insurance policies. Under the terms of the policies, the payments of principal and interest are guaranteed by the insurer.

Annual debt service requirements to maturity for the refunding bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 605,000	\$ 168,415	\$ 773,415
2021	620,000	153,981	773,981
2022	635,000	139,135	774,135
2023	655,000	123,954	778,954
2024	665,000	108,248	773,248
2025-2029	2,265,000	308,128	2,573,128
2030-2034	485,000	142,120	627,120
2035-2038	450,000	43,700	493,700
Total	<u>\$ 6,380,000</u>	<u>\$ 1,187,681</u>	<u>\$ 7,567,681</u>

7. DEFINED BENEFIT PENSION PLANS

The Gas System contributes to the Ohio Public Employees Retirement.

Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Gas System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Gas System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows for 2019 and 2018:

Statutory Maximum Contribution Rates

Employer	14.0	%
Employee	10.0	%

Actual Contribution Rates

Employer:		
Pension	14.0	%
Post-employment Health Care Benefits	<u>0.0</u>	<u>%</u>
Total Employer	<u>14.0</u>	<u>%</u>
Employee	<u>10.0</u>	<u>%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Gas System's contractually required contributions were \$223,773 and \$209,221 for 2019 and 2018, respectively. Of these amounts, \$6,810 was reported as an intergovernmental payable in 2019 and \$5,406 in 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Gas System's proportion of the net pension liability was based on the Gas System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2019</u>		<u>2018</u>
Proportionate Share of the Net Pension Liability	\$ 3,108,207	\$	1,739,203
Proportion of the Net Pension Liability	0.0113488%		0.0110862%
Change in Proportion	0.0002626%		0.0012635%
Pension Expense	\$ 712,209	\$	381,209

At December 31, 2019 and 2018, the Gas System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 421,871	\$ -
Gas System change in proportionate share	38,087	77,985
Changes in assumptions	270,577	207,847
Differences between expected and actual experience	143	1,776
Gas System contributions subsequent to the measurement date	<u>223,773</u>	<u>209,221</u>
Total Deferred Outflows of Resources	<u>\$ 954,451</u>	<u>\$ 496,829</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 373,384
Gas System change in proportionate share	-	5,015
Differences between expected and actual experience	<u>40,810</u>	<u>34,274</u>
Total Deferred Inflows of Resources	<u>\$ 40,810</u>	<u>\$ 412,673</u>

\$223,773 reported as deferred outflows of resources related to pension resulting from the Gas System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:		
2020	\$	319,067
2021		135,851
2022		39,073
2023		<u>195,877</u>
Total	\$	<u>689,868</u>

Actuarial Assumptions. 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.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return:	
Current measurement period	7.2 percent
Prior measurement period	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Gas System's proportionate share of the net pension liability	\$ 4,591,721	\$ 3,108,207	\$ 1,875,388

8. DEFINED BENEFIT OPEB PLANS

The Gas System contributes to the Ohio Public Employees Retirement System and the City's Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Gas System's contractually required contributions were \$0 for 2019 and 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Gas System's proportion of the net OPEB liability was based on the Gas System's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2019</u>	<u>2018</u>
Proportionate Share of the Net OPEB Liability	\$ 1,498,716	\$ 1,217,946
Proportion of the Net OPEB Liability	0.0114953%	0.0112157%
Change in Proportion	0.0002796%	0.0006970%
OPEB Expense	\$ 127,353	\$ 123,643

At December 31, 2019 and 2018, the Gas System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 68,708	\$ -
Gas System change in proportionate share	24,857	47,629
Changes in assumptions	48,320	88,679
Differences between expected and actual experience	507	949
Total Deferred Outflows of Resources	<u>\$ 142,392</u>	<u>\$ 137,257</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 90,729
Differences between expected and actual experience	4,066	-
Total Deferred Inflows of Resources	<u>\$ 4,066</u>	<u>\$ 90,729</u>

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:		
2020	\$	76,759
2021		15,884
2022		11,257
2023		34,426
Total	\$	<u>138,326</u>

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

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment Rate of Return:	
Current measurement period	6.00 percent
Prior measurement period	6.50 percent
Municipal Bond Rate	
Current measurement period	3.71 percent
Prior measurement period	3.31 percent
Health Care Cost Trend Rate:	
Current measurement period	10.0 percent, initial
	3.25 percent, ultimate in 2029
Prior measurement period	7.50 percent, initial
	3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	<u>17.00%</u>	<u>5.57%</u>
Total	<u>100.00%</u>	<u>5.16%</u>

Discount Rate. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Gas System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Gas System’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Gas System’s proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.96 percent) or 1.0 percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Gas System's proportionate share of the net OPEB liability	\$ 1,917,363	\$ 1,498,716	\$ 1,165,706

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Gas System's proportionate share of the net OPEB liability	\$ 1,440,551	\$ 1,498,716	\$ 1,565,617

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Gas System's contractually required contributions were \$17,258 in 2019 and \$16,780 in 2018.

At December 31, 2019, the number of plan-wide active participants and retirees were 591 and 650, respectively, and 597 and 632 at December 31, 2018, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan was determined by an actuarial valuation as of December 31, 2019. Following is information related to the changes in total OPEB liability:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability, beginning of year	\$ 265,451	\$ 277,234
Service cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	<u>(17,258)</u>	<u>(16,780)</u>
Total OPEB Liability, end of year	<u>\$ 300,592</u>	<u>\$ 265,451</u>
Retiree Life Insurance Plan OPEB expense	\$2,078	(\$5,102)

At December 31, 2019 and 2018, the Gas System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 26,376	\$ -
Differences between expected and actual experience	<u>7,284</u>	<u>3,089</u>
Total Deferred Outflows of Resources	<u>\$ 33,660</u>	<u>\$ 3,089</u>
Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 6,479</u>	<u>\$ 8,970</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:		
2020	\$	6,637
2021		6,637
2022		7,291
2023		<u>6,616</u>
Total	\$	<u>27,181</u>

Actuarial Assumptions. 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 the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as 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:

Single Discount Rate:	
Current measurement date	2.75 percent
Prior measurement date	3.80 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pri-2012
Retired	Pri-2012 Retiree
Disabled	Pri-2012 Disabled Retiree
Disabled	RP-2014 Total Mortality Table
Weighting	Amount-weighted
Future Improvement	Projected generationally using Scale MP-2019

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Gas System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.75 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.75 percent) and one-percentage-point higher (3.75 percent) than the current rate:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 341,181	\$ 300,592	\$ 267,358

9. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City involving the Gas System. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the financial position of the Gas System.

10. RELATED PARTY TRANSACTIONS

The Gas System sells gas to the City’s Electric System for use in the generation of electricity. Revenues of approximately \$151,000 and \$86,000 from the Electric System to the Gas System are included in operating revenues in 2019 and 2018, respectively.

The City allocates the cost of certain administrative services. In addition, the City established internal service funds that provide services to various City departments. Charges to the Gas System for these services were approximately \$3,789,000 in 2019 and \$3,931,000 in 2018 and are included in other operating expenses.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Gas System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials’ errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

12. CONTRACTUAL COMMITMENTS

At December 31, 2019, the Gas System had a contractual commitment related to property, plant and equipment improvements and additions, as well as various other contract and agreements to provide or receive services related to the operations of approximately \$1,031,000.

13. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Gas System's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Gas System for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Gas System's financial position, changes in financial position, and timing and amount of cash flows, the related financial consequences and duration are highly uncertain.

**CITY OF HAMILTON - GAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SIX MEASUREMENT PERIODS**

	Gas System's Proportion of the Net Pension Liability	Gas System's Proportionate Share of the Net Pension Liability	Gas System's Covered Payroll	Gas System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0101489%	\$ 1,198,966	\$ 1,116,600	107.38%	86.36%
2015	0.0101489%	1,224,067	1,251,175	97.83%	86.45%
2016	0.0099057%	1,715,789	1,165,042	147.27%	81.08%
2017	0.0098227%	2,230,562	1,292,917	172.52%	77.25%
2018	0.0110862%	1,739,203	1,391,669	124.97%	84.66%
2019	0.0113488%	3,108,207	1,494,436	207.99%	74.70%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST SEVEN YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Gas System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 145,158	\$ (145,158)	\$ -	\$ 1,116,600	13.00%
2014	150,141	(150,141)	-	1,251,175	12.00%
2015	139,805	(139,805)	-	1,165,042	12.00%
2016	155,150	(155,150)	-	1,292,917	12.00%
2017	180,917	(180,917)	-	1,391,669	13.00%
2018	209,221	(209,221)	-	1,494,436	14.00%
2019	223,773	(223,773)	-	1,598,379	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2018.

Changes in assumptions:

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

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

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

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

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

**CITY OF HAMILTON - GAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST THREE MEASUREMENT PERIODS**

	Gas System's Proportion of the Net OPEB Liability	Gas System's Proportionate Share of the Net OPEB Liability	Gas System's Covered Payroll	Gas System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0105187%	\$ 1,062,426	\$ 1,292,917	82.17%	54.05%
2018	0.0112157%	1,217,946	1,391,669	87.52%	54.14%
2019	0.0114953%	1,498,716	1,494,436	100.29%	46.33%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FOUR YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Gas System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 25,858	\$ (25,858)	\$ -	\$ 1,292,917	2.00%
2017	13,917	(13,917)	-	1,391,669	1.00%
2018	-	-	-	1,494,436	0.00%
2019	-	-	-	1,598,379	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

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

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

**CITY OF HAMILTON - GAS SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
 SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
 LAST THREE YEARS**

	Gas System's Proportion Total OPEB Liability	Gas System's Covered- Employee Payroll	Gas System's Proportionate Gas System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 1,391,669	19.92%
2018	265,451	1,494,436	17.76%
2019	300,592	1,598,379	18.81%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 LAST TWO YEARS**

	2019	2018
Beginning Total OPEB Liability	\$ 265,451	\$ 277,234
Service Cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	(17,258)	(16,780)
Ending Total OPEB Liability	<u>\$ 300,592</u>	<u>\$ 265,451</u>

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018 and 2019.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

This page intentionally left blank.

CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM

Financial Statements

Years Ended December 31, 2019 and 2018

With Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 9
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13 – 36
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	37
Schedule of Pension Contributions	37
Schedule of the Proportionate Share of the Net OPEB Liability.....	38
Schedule of OPEB Contributions	38
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	39

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Wastewater System, an enterprise fund of the City of Hamilton, Ohio (the Wastewater System), as of and for the years ended December 31, 2019 and 2018 and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Wastewater System as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Wastewater System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Wastewater System. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis other required supplementary information, as listed in the table of contents, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2020

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Wastewater System's financial performance provide an overall review of that System's financial activities for the years ended December 31, 2019 and 2018. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2019 are as follows:

- The assets and deferred outflows of resources of the Hamilton Wastewater System exceed its liabilities and deferred inflows of resources at the close of 2019 and 2018 by \$25,647,080 and \$25,492,527 (net position), respectively. Of these amounts, \$12,537,025 and \$11,822,083 (unrestricted net position) in those years were available to meet the System's ongoing obligations to customers and creditors.
- The System's total net position increased by \$154,553 between 2019 and 2018, representing a 0.61% increase.
- In 2019, the Wastewater System's long-term debt decreased by \$3,639,494 due to meeting debt service requirements and bond refunding.

Wastewater System Summary

The City of Hamilton, Ohio owns and operates the Wastewater System, serving approximately 23,800 customers. The System consists of the treatment plant and sanitary sewer. The initial sludge plant was placed in service in 1959. In 1978, the Wastewater System was expanded to provide complete treatment services and an expansion of treatment facilities was completed during 2002.

The treatment plant, known as the Wastewater Reclamation Facility (WRF), is able to fully treat 32 MGD, the capacity of the WRF secondary treatment process. Wastewater flows in excess of 32 MGD receive only partial treatment. The stormwater train provides only primary treatment. The stormwater train's effluent is currently blended with fully treated flow from the wastewater train prior to disinfection, dechlorination and discharge to the Great Miami River.

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Wastewater System for the years ended December 31, 2019 and 2018.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Reporting Hamilton's Wastewater System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Wastewater System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Wastewater System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2019 and 2018. The City of Hamilton's Wastewater System is reported as a business-type, enterprise fund and is considered a major fund for purposes of individual fund reporting. Payments made from the Wastewater Fund are restricted to Wastewater System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the system looks at all financial transactions of the Wastewater Fund and asks the question, "How did we do financially during 2019 and 2018?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources and liabilities of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the System, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Wastewater System's Financial Statements provide additional information that is essential to a full understanding of the data provided. The System provides services that have a charge based upon the amount of usage. The City's Wastewater System charges fees to recoup the cost of the entire operation of the Wastewater System as well as all capital expenses associated with these facilities.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Wastewater Fund, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,647,080, \$25,492,527, and \$27,322,833 as of December 31, 2019, 2018, and 2017, respectively. One of the largest portions of the net position of the Wastewater System reflect its investment in capital assets (e.g. land, buildings, improvements, construction in progress, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The ratios of net investment in capital assets to total net position are as follows: 40% for 2019, 38% for 2018, and 46% for 2017. The System employs these assets in the treatment and collection of sanitary sewer flow; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt and it should be noted that the resources needed to repay these debts must be provided from other sources, primarily the revenues of the system, because the capital assets themselves cannot be used to liquidate the liabilities.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Table 1 provides a summary of the Wastewater System's Statement of Net Position for the Years Ended December 31, 2019, 2018, and 2017.

	2019	2018	2017
Current and other assets	\$ 21,027,151	\$ 20,924,093	\$ 18,780,345
Capital assets	<u>57,692,272</u>	<u>59,610,562</u>	<u>61,722,230</u>
Total assets	<u>78,719,423</u>	<u>80,534,655</u>	<u>80,502,575</u>
Deferred outflows of resources	1,415,902	796,097	2,672,026
Long-term liabilities:			
Net pension liability	3,069,559	1,734,709	2,435,275
OPEB liabilities	1,780,674	1,480,251	1,336,915
Other long-term amounts	46,211,338	48,821,037	49,799,190
Other liabilities	<u>3,375,877</u>	<u>3,290,685</u>	<u>2,227,642</u>
Total liabilities	<u>54,437,448</u>	<u>55,326,682</u>	<u>55,799,022</u>
Deferred inflows of resources	50,797	511,543	52,746
Net investment in capital assets	10,335,181	9,566,844	12,677,212
Restricted	2,774,874	4,103,600	3,985,960
Unrestricted	<u>12,537,025</u>	<u>11,822,083</u>	<u>10,659,661</u>
Total net position	<u>\$ 25,647,080</u>	<u>\$ 25,492,527</u>	<u>\$ 27,322,833</u>

The net pension liability (NPL) is reported by the Wastewater System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Wastewater System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Wastewater System'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 following discussion pertains to the net pension and net OPEB liabilities reported in the Gas System's financial statements as a result of the Wastewater System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Wastewater System's financial statements reflects OPEB benefits provided by the Wastewater System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Wastewater System'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 Wastewater System 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.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

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 Statement No. 68 and GASB Statement No. 75, the Wastewater System's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As of December 31, 2019, 2018, and 2017, the Wastewater System is able to report positive balances in net position. The Wastewater System reported operating income of \$1,508,002, \$1,418,170 and \$750,837 in 2019, 2018, and 2017, respectively. In 2019, operating revenues increased by \$801,485, due to increase in customer rates, while operating expenses increased by \$711,653, due to increases in pension and OPEB expenses associated with the increases in the net pension and OPEB liabilities. Net non-operating expenses of \$1,353,449 decreased by \$1,895,027 in 2019, primarily due to a decrease in interest costs associated with the refunding of the Series 2009B bonds.

Statements of Revenues, Expenses and Changes in Net Position

	2019	2018	2017
Operating revenues	\$ 13,454,526	\$ 12,653,041	\$ 12,368,579
Operating expenses:			
Depreciation	3,122,058	3,284,325	3,563,726
Other operating expenses	8,824,466	7,950,546	8,054,016
Total operating expenses	<u>11,946,524</u>	<u>11,234,871</u>	<u>11,617,742</u>
Operating income	1,508,002	1,418,170	750,837
Non-Operating revenues (expenses)			
Interest and fiscal charges	(1,823,318)	(3,721,315)	(1,720,118)
Loss on disposal of capital assets	(9,613)	(80,917)	(22,137)
Other non-operating revenues	479,482	553,756	413,463
Total non-operating revenues (expenses)	<u>(1,353,449)</u>	<u>(3,248,476)</u>	<u>(1,328,792)</u>
Change in net position	154,553	(1,830,306)	(577,955)
Beginning net position	25,492,527	27,322,833	N/A
Ending net position	<u>\$ 25,647,080</u>	<u>\$ 25,492,527</u>	<u>\$ 27,322,833</u>

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Wastewater System as of December 31, 2019, 2018, and 2017 amounted to \$10.3 million, \$9.6 million and \$12.7 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment.

Note 5 (Capital Assets) provides Wastewater System asset activity during 2019.

Debt Administration: At the end of 2019, the City had outstanding long-term bond issues and loans totaling \$45,325,969.

In November 2019, the Wastewater System issued \$8,865,000 of Series 2019 revenue bonds to refund the Series 2009B bonds.

The Wastewater System received State agency loans during 2019 for sanitary sewer improvements.

See Note 6 for a discussion of the outstanding Wastewater System bonds and related activity.

Economic Factors and Future Trends

Wastewater customer classes include residential, commercial, industrial and large contract customers. The Wastewater System serves the entire City and certain adjacent areas and accounts for 99% of the wastewater treatment services within the corporate limits of the City.

Wastewater rates, as with the other City utility rates, are established by City ordinance and are not subject to the regulatory jurisdiction of the Public Utilities Commission of Ohio (PUCO) or any Federal or State regulatory body. In 2016, City Council approved a rate ordinance providing for a series of five rate increases of approximately 3% annually, with the first increase effective August 1, 2016, and each subsequent increase, thereafter, effective July 1, for years 2017 through 2020. The City has a single rate schedule, applicable to all wastewater customers in the City, with the exception of customers that have separate agreements. The rate schedule provides for a basic billing charge; a capacity charge based on the water meter size; a service charge based on flow or volume of usage; a surcharge for Biochemical Oxygen Demand (BOD) in excess of 200 milligrams per liter (mg/l); and a surcharge for Suspended Solids (SS) in excess of 300 mg/l. The surcharge tolerance for SS were increased, effective July 1, 2012, from SS in excess of 250 mg/l to 300 mg/l, to more accurately reflect the cost of treatment. As with the other City utilities, there is a suburban surcharge (150%) levied on wastewater customers located outside the corporate limits of Hamilton.

The annual budget of the Wastewater System is adopted in accordance with ten-year projections developed by City Staff. These projects are thoroughly reviewed and updated in the Spring and Fall of each year or more often as deemed necessary by City Management.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

In January 2007, the City and the Ohio EPA entered into a Modified Consent Order to address the remaining Ohio EPA issues with the Wastewater System. This Modified Consent Order required a number of reports to be filed with the Ohio EPA, including a Management, Operation and Maintenance (MOM) Report of the sanitary sewer system; an audit of the MOM Report, one year later; an Overflow Emergency Response Plan (OERP); and a System Evaluation and Capacity Assurance Plan (SECAP), with an implementation schedule. The Modified Consent Order also regulated the reporting of overflow and bypass monitoring. The City has received Ohio EPA approval of the required submitted reports and programs. In a letter dated July 11, 2009, the SECAP was approved by the Ohio EPA Director as adequate and complete. The SECAP document serves as the master plan of capital improvements to the Wastewater System to satisfy the Modified Consent Order. In 2012, a Preliminary Engineering Report, detailing changes to the SECAP, was submitted to the Ohio EPA. The changes to the SECAP were due primarily to the closure of the two paper mills in Hamilton and subsequent significant reduction in wastewater flow. The Report detailed the changes and modifications recommended for the Water Reclamation Facility and Interceptor Improvement Projects. The Report also requested a one-year extension of the completion date for these Projects, to October 1, 2015. The Ohio EPA approved the changes to the SECAP detailed in the Report.

During 2013, the Wastewater System began construction of the improvements identified within the approved SECAP, including the construction of a sewer overflow interceptor along the Great Miami River. The interceptor project was bid in 2013, with an accepted bid of approximately \$12 million. This was completed in 2015. Additionally, significant improvements were required at the Water Reclamation Facility to meet the requirements of the SECAP. Phase I of these improvements began in 2011 and totaled almost \$5.1 million. Phase II of these improvements began in 2014 and is estimated to cost approximately \$6.5 million. All requirements of the SECAP were completed in 2016.

The City maintains an A1 bond rating with a stable outlook for its Wastewater System.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Wastewater System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and investments	\$ 16,443,109	15,110,437
Accounts receivable (less allowance for uncollectible accounts of \$1,214,865 and \$1,195,611, respectively)	1,693,456	1,539,700
Interest receivable	48,236	53,528
Inventory of supplies at cost	1,841	703
Prepaid expenses	65,635	116,125
Total current assets	<u>18,252,277</u>	<u>16,820,493</u>
Restricted assets:		
Cash and investments	<u>2,774,874</u>	<u>4,103,600</u>
Noncurrent assets:		
Nondepreciable capital assets	6,991,350	6,305,754
Depreciable capital assets, net	<u>50,700,922</u>	<u>53,304,808</u>
Total noncurrent assets	<u>57,692,272</u>	<u>59,610,562</u>
Total assets	<u>78,719,423</u>	<u>80,534,655</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	298,415	160,559
Pension	942,960	495,546
OPEB	<u>174,527</u>	<u>139,992</u>
Total deferred outflows of resources	<u>1,415,902</u>	<u>796,097</u>
LIABILITIES		
Current liabilities:		
Accounts payable	303,133	218,880
Accrued wages and benefits	99,789	40,579
Intergovernmental payable	31,842	6,120
Accrued interest payable	401,350	517,311
Customer deposits payable	305,528	297,035
Compensated absences payable - current portion	211,836	189,088
OWDA loans payable - current portion	36,674	20,221
OPWC loans payable - current portion	60,725	121,451
General obligation bonds payable - current portion	20,000	20,000
Revenue bonds payable - current portion	<u>1,905,000</u>	<u>1,860,000</u>
Total current liabilities	<u>3,375,877</u>	<u>3,290,685</u>
Non-current liabilities:		
Compensated absences payable	183,185	166,842
OWDA loans payable	1,307,223	961,719
OPWC loans payable	3,461,347	3,522,072
General obligation bonds payable	515,000	535,000
Revenue bonds payable	40,744,583	43,635,404
Net pension liability	3,069,559	1,734,709
Net OPEB liability	1,480,082	1,214,800
Total OPEB liability	<u>300,592</u>	<u>265,451</u>
Total noncurrent liabilities	<u>51,061,571</u>	<u>52,035,997</u>
Total liabilities	<u>54,437,448</u>	<u>55,326,682</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	40,303	412,079
OPEB	<u>10,494</u>	<u>99,464</u>
Total deferred inflows of resources	<u>50,797</u>	<u>511,543</u>
NET POSITION		
Net investment in capital assets	10,335,181	9,566,844
Restricted for debt service	774,874	2,103,600
Restricted for rate stabilization	2,000,000	2,000,000
Unrestricted	<u>12,537,025</u>	<u>11,822,083</u>
Total net position	<u>\$ 25,647,080</u>	<u>25,492,527</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WASTEWATER SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 13,137,572	12,637,387
Other operating revenues	<u>316,954</u>	<u>15,654</u>
Total operating revenues	<u>13,454,526</u>	<u>12,653,041</u>
Operating expenses:		
Personal services	3,080,211	2,506,446
Materials and supplies	254,124	275,653
Contractual services	2,951,034	2,574,377
Depreciation	3,122,058	3,284,325
Other operating expenses	<u>2,539,097</u>	<u>2,594,070</u>
Total operating expenses	<u>11,946,524</u>	<u>11,234,871</u>
Operating income	1,508,002	1,418,170
Non-operating revenues (expenses):		
Investment earnings	243,841	313,227
Grants	235,641	240,529
Loss on disposal of capital assets	(9,613)	(80,917)
Interest and fiscal charges	<u>(1,823,318)</u>	<u>(3,721,315)</u>
Total non-operating revenues (expenses)	<u>(1,353,449)</u>	<u>(3,248,476)</u>
Change in net position	154,553	(1,830,306)
Net position - beginning of year	<u>25,492,527</u>	<u>27,322,833</u>
Net position - end of year	\$ <u>25,647,080</u>	<u>25,492,527</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WASTEWATER SYSTEM
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 13,300,770	12,711,554
Cash paid for employee services and benefits	(2,262,680)	(2,293,827)
Cash paid to suppliers for goods and services	<u>(5,679,631)</u>	<u>(5,371,424)</u>
Net cash from operating activities	<u>5,358,459</u>	<u>5,046,303</u>
Cash flows from noncapital financing activities:		
Intergovernmental grants	<u>235,641</u>	<u>240,529</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(1,136,837)	(1,355,397)
Bond proceeds	8,865,000	25,880,000
Loan proceeds	397,795	815,911
Premiums on debt issuance	1,273,785	702,561
Bonds principal retirement	(12,745,000)	(1,720,000)
Note principal retirement	-	(25,445,000)
Loan principal retirement	(157,289)	(19,580)
Debt interest payments and fiscal charges	<u>(2,336,741)</u>	<u>(2,256,045)</u>
Net cash from capital and related financing activities	<u>(5,839,287)</u>	<u>(3,397,550)</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>249,133</u>	<u>299,325</u>
Net change in cash and investments	3,946	2,188,607
Cash and investments at beginning of year	<u>19,214,037</u>	<u>17,025,430</u>
Cash and investments at end of year	<u>\$ 19,217,983</u>	<u>19,214,037</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 1,508,002	1,418,170
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	3,122,058	3,284,325
Change in deferred outflows-pension and OPEB	(481,949)	329,410
Change in deferred inflows-pension and OPEB	(460,746)	458,797
Changes in assets and liabilities:		
(Increase) decrease in receivables	(153,756)	58,513
(Increase) decrease in inventory	(1,138)	473
(Increase) decrease in prepaid items	50,490	(225)
Increase (decrease) in customer deposits payable	8,493	19,383
Increase (decrease) in payables	7,709	53,614
Increase (decrease) in accrued liabilities	98,301	(19,337)
Increase (decrease) in intergovernmental payables	25,722	410
Increase (decrease) in net pension liability	1,334,850	(700,566)
Increase (decrease) in net OPEB liability	265,282	155,119
Increase (decrease) in total OPEB liability	<u>35,141</u>	<u>(11,783)</u>
Net cash from operating activities	<u>\$ 5,358,459</u>	<u>5,046,303</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	<u>\$ 155,285</u>	<u>78,741</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM

Notes to Financial Statements Years Ended December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Wastewater System (Wastewater System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Wastewater System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Wastewater System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Wastewater System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Wastewater System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Wastewater System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Wastewater System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Bond Premiums and Discounts – Unamortized bond premiums and discounts are amortized on the interest method over the term of the related bonds. Amortization of bond premiums were \$300,143 and \$300,141 during 2019 and 2018, respectively, and amortization of bond discounts were \$40,537 and \$3,118 during 2019 and 2018, respectively.

Compensated Absences – The Wastewater System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Wastewater System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting 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) until then. The Wastewater System reports deferred outflows of resources for deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pension/OPEB amounts are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Wastewater System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Wastewater System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Change in Accounting Principle – For 2019, the Water System implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 revises the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements.

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

2. CASH AND INVESTMENTS

The Wastewater System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Wastewater System totaled \$18,443,109 at December 31, 2019 and \$17,110,437 at December 31, 2018 consisted of demand deposits, money market funds, commercial paper, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Cash and investments held by trustees were \$774,874 at December 31, 2019 and \$2,103,600 at December 31, 2018.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued 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. For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2019 and 2018, approximately 95% of the City's deposits with financial institutions, including the amount of pooled deposits related to the Wastewater System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Wastewater System's uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Wastewater Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of “safekeeping” accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk.

The City’s pooled investments, as well as the investments held by trustees specifically for the Wastewater System, are invested primarily in U.S. governmental agency securities with a credit rating of AA+ and an average maximum maturity of 1.76 years and STAR Ohio which has a credit rating of AAAM.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Earned and unbilled consumer accounts	\$ 791,303	716,354
Earned and billed consumer accounts	2,109,420	2,014,761
Other	7,598	4,196
Less allowance for uncollectible accounts	<u>(1,214,865)</u>	<u>(1,195,611)</u>
Total	<u>\$ 1,693,456</u>	<u>1,539,700</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$2,774,874 and \$4,103,600 at December 31, 2019 and 2018, respectively.

5. CAPITAL ASSETS

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

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,847,497	\$ -	\$ -	\$ 2,847,497
Construction in progress	<u>3,458,257</u>	<u>727,596</u>	<u>(42,000)</u>	<u>4,143,853</u>
Subtotal	<u>6,305,754</u>	<u>727,596</u>	<u>(42,000)</u>	<u>6,991,350</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	82,659,784	-	-	82,659,784
Machinery and equipment	<u>46,279,624</u>	<u>527,785</u>	<u>(174,830)</u>	<u>46,632,579</u>
Subtotal	<u>128,939,408</u>	<u>527,785</u>	<u>(174,830)</u>	<u>129,292,363</u>
Totals at historical cost	<u>135,245,162</u>	<u>1,255,381</u>	<u>(216,830)</u>	<u>136,283,713</u>
Less accumulated depreciation:				
Buildings and improvements	42,747,477	998,651	-	43,746,128
Machinery and equipment	<u>32,887,123</u>	<u>2,123,407</u>	<u>(165,217)</u>	<u>34,845,313</u>
Total accumulated depreciation	<u>75,634,600</u>	<u>3,122,058</u>	<u>(165,217)</u>	<u>78,591,441</u>
Capital assets, net	<u>\$ 59,610,562</u>	<u>\$ (1,866,677)</u>	<u>\$ (51,613)</u>	<u>\$ 57,692,272</u>

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,847,497	\$ -	\$ -	\$ 2,847,497
Construction in progress	<u>6,213,106</u>	<u>927,804</u>	<u>(3,682,653)</u>	<u>3,458,257</u>
Subtotal	<u>9,060,603</u>	<u>927,804</u>	<u>(3,682,653)</u>	<u>6,305,754</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	80,332,751	2,327,033	-	82,659,784
Machinery and equipment	<u>45,076,174</u>	<u>1,681,390</u>	<u>(477,940)</u>	<u>46,279,624</u>
Subtotal	<u>125,408,925</u>	<u>4,008,423</u>	<u>(477,940)</u>	<u>128,939,408</u>
Totals at historical cost	<u>134,469,528</u>	<u>4,936,227</u>	<u>(4,160,593)</u>	<u>135,245,162</u>
Less accumulated depreciation:				
Buildings and improvements	41,762,973	984,504	-	42,747,477
Machinery and equipment	<u>30,984,325</u>	<u>2,299,821</u>	<u>(397,023)</u>	<u>32,887,123</u>
Total accumulated depreciation	<u>72,747,298</u>	<u>3,284,325</u>	<u>(397,023)</u>	<u>75,634,600</u>
Capital assets, net	<u>\$ 61,722,230</u>	<u>\$ 1,651,902</u>	<u>\$ (3,763,570)</u>	<u>\$ 59,610,562</u>

6. LONG TERM DEBT

On September 9, 2009, the Wastewater issued \$11,465,000 in Series 2009B Taxable Wastewater System Build America Revenue Bonds to currently refund bond anticipation notes and provide funding for Wastewater System overflow mitigation and treatment enhancements. With the issuance of the Build America Bonds, the Wastewater will be entitled to receive an interest subsidy payment of 35 percent from the U.S. Treasury on any interest payment date. These bonds were refunded in 2019, as discussed below.

In October 2016, the Wastewater System refunded \$10,840,000 of Series 2005 Wastewater System Revenue Refunding Bonds. The net proceeds of the Series 2016 bonds have been used to currently refund the Series 2005 Bonds that were originally issued to refund the 1996 and 1998 Wastewater Revenue Bonds. These bonds fully mature in 2026 with interest ranging from 1.75 to 5.0 percent per annum.

In April 2018, the Wastewater System currently refunded the 2017 Notes through the issuance of \$25,325,000 of Series 2018 Wastewater System Refunding Revenue Bonds. These bonds fully mature in 2041 and with interest ranging from 2.0 to 5.0 percent per annum. The refunding reduced the Wastewater System's debt service payments over the life of the refunding bonds and notes by \$4,922,195. The economic gain (difference between the present values of the old and new debt service payments) was \$3,441,741.

In 2018, the City issued \$11,025,000 in Series 2018 General Obligation Various Purpose Bonds. Proceeds of \$555,000 will fund wastewater line improvements. The Wastewater System's portion of the bonds fully mature in 2038 with interest ranging from 2.6 to 4.0 percent per annum.

In November 2019, the Wastewater System defeased \$10,865,000 of the Series 2009B Taxable Wastewater System Build America Revenue Bonds through the issuance of \$8,865,000 of Series 2019 Wastewater Mortgage Revenue Refunding Bonds, and additional cash on hand. The net proceeds of the Series 2019 bonds have been used to currently refund the Series 2009B bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$3,409,416 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,658,833.

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

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Series 2009B Revenue BABs	\$ 11,170,000	\$ -	\$ (11,170,000)	\$ -	\$ -
Series 2016 Revenue Bonds	7,900,000	-	(840,000)	7,060,000	875,000
Series 2018 Refunding Bonds	24,715,000	-	(715,000)	24,000,000	735,000
Series 2018 G.O. Bonds	555,000	-	(20,000)	535,000	20,000
Series 2019 Refunding Bonds	-	8,865,000	-	8,865,000	295,000
Less deferred amount					
for issuance premiums	1,750,941	1,273,785	(300,143)	2,724,583	-
for issuance discounts	(40,537)	-	40,537	-	-
<i>Direct borrowing:</i>					
OWDA loan	981,940	397,795	(35,838)	1,343,897	36,674
OPWC loan	3,643,523	-	(121,451)	3,522,072	60,725
Net pension liability-OPERS	1,734,709	1,334,850	-	3,069,559	-
Net OPEB liability-OPERS	1,214,800	265,282	-	1,480,082	-
Total OPEB liability-Retiree Life	265,451	35,141	-	300,592	-
Compensated absences	355,930	228,179	(189,088)	395,021	211,836
Total bonds	<u>\$ 54,246,757</u>	<u>\$ 12,400,032</u>	<u>\$ (13,350,983)</u>	<u>\$ 53,295,806</u>	<u>\$ 2,234,235</u>

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

	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
Series 2009B Revenue BABs	\$ 11,465,000	\$ -	\$ (295,000)	\$ 11,170,000	\$ 305,000
Series 2016 Revenue Bonds	8,715,000	-	(815,000)	7,900,000	840,000
Series 2018 Refunding Bonds	-	25,325,000	(610,000)	24,715,000	715,000
Series 2018 G.O. Bonds	-	555,000	-	555,000	20,000
Less deferred amount					
for issuance premiums	1,348,521	702,561	(300,141)	1,750,941	-
for issuance discounts	(43,655)	-	3,118	(40,537)	-
<i>Direct borrowing:</i>					
OWDA loan	311,111	690,409	(19,580)	981,940	20,221
OPWC loan	3,518,021	125,502	-	3,643,523	121,451
Notes payable	25,445,000	-	(25,445,000)	-	-
Net pension liability-OPERS	2,435,275	-	(700,566)	1,734,709	-
Net OPEB liability-OPERS	1,059,681	155,119	-	1,214,800	-
Total OPEB liability-Retiree Life	277,234	-	(11,783)	265,451	-
Compensated absences	369,242	186,158	(199,470)	355,930	189,088
Total bonds	<u>\$ 54,900,430</u>	<u>\$ 27,739,749</u>	<u>\$ (28,393,422)</u>	<u>\$ 54,246,757</u>	<u>\$ 2,210,760</u>

All property and revenue of the Wastewater System facilities have been pledged as collateral on the indebtedness. Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The Mortgage Revenue Bonds are insured under a municipal bond insurance policy. Under the terms of this policy, the payments of principal and interest are guaranteed by the insurer.

Maturities of mortgage revenue and general obligation bonds at December 31, 2019 are as follows:

	Revenue Bonds			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,905,000	\$ 1,543,133	\$ 3,448,133	\$ 20,000	\$ 17,718	\$ 37,718
2021	1,935,000	1,518,050	3,453,050	20,000	16,918	36,918
2022	2,000,000	1,446,550	3,446,550	25,000	16,118	41,118
2023	2,085,000	1,356,900	3,441,900	25,000	15,368	40,368
2024	2,155,000	1,294,088	3,449,088	25,000	14,618	39,618
2025-2029	8,660,000	5,003,790	13,663,790	130,000	62,102	192,102
2030-2034	8,105,000	3,399,176	11,504,176	150,000	41,201	191,201
2035-2039	10,020,000	1,804,350	11,824,350	140,000	12,688	152,688
2040-2041	3,060,000	184,800	3,244,800	-	-	-
Total	<u>\$ 39,925,000</u>	<u>\$ 17,550,837</u>	<u>\$ 57,475,837</u>	<u>\$ 535,000</u>	<u>\$ 196,731</u>	<u>\$ 731,731</u>

In 2010, the Wastewater System entered into a direct borrowing agreement with the Ohio Water Development Authority (OWDA), as administrator for the U. S. Environmental Protection Agency (EPA), for the Wastewater System to receive a loan for sanitary sewer improvements. The interest rate on the loan is 3.25 percent, per annum. This loan is payable from wastewater utility charges. As of December 31, 2019, the outstanding loan balance was \$271,310.

In 2018, the Wastewater System entered into a direct borrowing agreement with the OWDA to receive a loan for sanitary sewer improvements. The interest rate on the loan is 2.22 percent per annum. This loan is payable from wastewater utility charges. As of December 31, 2019, the outstanding loan balance was \$1,072,587.

In 2016, the Wastewater System obtained financing through Ohio Public Works Commission (OPWC) direct borrowing for the Gilmore Road Pump Station (Phases I and II) with a 0 percent interest rate. As of December 31, 2019, the outstanding balance of the loan is \$3,522,072.

The future financing requirements on the completed direct borrowing OWDA and OPWC project loan balances at December 31, 2019 was:

	Principal	Interest	Total
2020	\$ 97,399	\$ 32,461	\$ 129,860
2021	179,292	30,971	210,263
2022	179,998	29,459	209,457
2023	180,728	27,924	208,652
2024	181,482	26,365	207,847
2025-2029	919,609	107,547	1,027,156
2030-2034	817,448	71,446	888,894
2035-2039	788,626	50,609	839,235
2040-2044	788,629	30,477	819,106
2045-2049	732,758	9,887	742,645
Total	<u>\$ 4,865,969</u>	<u>\$ 417,146</u>	<u>\$ 5,283,115</u>

7. **DEFINED BENEFIT PENSION PLANS**

The Wastewater System contributes to the Ohio Public Employees Retirement System.

Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Wastewater System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Wastewater System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for 2019 and 2018 as follows:

Statutory Maximum Contribution Rates

Employer	14.0	%
Employee	10.0	%

Actual Contribution Rates

Employer:		
Pension	14.0	%
Post-employment Health Care Benefits	<u>0.0</u>	<u>%</u>
Total Employer	<u>14.0</u>	<u>%</u>
Employee	<u>10.0</u>	<u>%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Wastewater System’s contractually required contributions were \$220,991 for 2019 and \$208,681 for 2018. Of this amount, \$7,334 was reported as an intergovernmental payable in 2019 and \$5,612 in 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Wastewater System's proportion of the net pension liability was based on the Wastewater System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2019</u>		<u>2018</u>
Proportionate Share of the Net Pension Liability	\$ 3,069,559	\$	1,734,709
Proportion of the Net Pension Liability	0.0112077%		0.0110575%
Change in Proportion	0.0001502%		0.0003333%
Pension Expense	\$ 703,354	\$	380,224

At December 31, 2019 and 2018, the Wastewater System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 416,625	\$ -
Wastewater System change in proportionate share	37,989	77,784
Changes in assumptions	267,213	207,309
Differences between expected and actual experience	142	1,772
Wastewater System contributions subsequent to the measurement date	<u>220,991</u>	<u>208,681</u>
Total Deferred Outflows of Resources	<u>\$ 942,960</u>	<u>\$ 495,546</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 372,419
Wastewater System change in proportionate share	-	5,474
Differences between expected and actual experience	<u>40,303</u>	<u>34,186</u>
Total Deferred Inflows of Resources	<u>\$ 40,303</u>	<u>\$ 412,079</u>

\$220,991 reported as deferred outflows of resources related to pension resulting from the Wastewater System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2020	\$ 315,273
2021	134,236
2022	38,608
2023	<u>193,549</u>
Total	<u>\$ 681,666</u>

Actuarial Assumptions. 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.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return:	
Current measurement period	7.2 percent
Prior measurement period	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Wastewater System's proportionate share of the net pension liability	\$ 4,534,627	\$ 3,069,559	\$ 1,852,069

8. DEFINED BENEFIT OPEB PLANS

The Wastewater System contributes to the Ohio Public Employees Retirement System and the City’s Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Wastewater System’s contractually required contributions were \$0 for 2019 and 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Wastewater System’s proportion of the net OPEB liability was based on the Wastewater System’s share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2019</u>	<u>2018</u>
Proportionate Share of the Net OPEB Liability	\$ 1,480,082	\$ 1,214,800
Proportion of the Net OPEB Liability	0.0113524%	0.0111868%
Change in Proportion	0.0001656%	0.0006952%
OPEB Expense	\$ 125,770	\$ 123,323

At December 31, 2019 and 2018, the Wastewater System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 67,853	\$ -
Wastewater System change in proportionate share	24,793	47,506
Changes in assumptions	47,721	88,451
Differences between expected and actual experience	<u>500</u>	<u>946</u>
Total Deferred Outflows of Resources	<u>\$ 140,867</u>	<u>\$ 136,903</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 90,494
Differences between expected and actual experience	<u>4,015</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>\$ 4,015</u>	<u>\$ 90,494</u>

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:	
2020	\$ 75,941
2021	15,715
2022	11,137
2023	<u>34,059</u>
Total	<u>\$ 136,852</u>

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

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment Rate of Return:	
Current measurement period	6.00 percent
Prior measurement period	6.50 percent
Municipal Bond Rate	
Current measurement period	3.71 percent
Prior measurement period	3.31 percent
Health Care Cost Trend Rate:	
Current measurement period	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior measurement period	7.50 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	<u>100.00%</u>	<u>5.16%</u>

Discount Rate. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent.

Sensitivity of the Wastewater System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Wastewater System's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Wastewater System's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.96 percent) or 1.0 percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Wastewater System's proportionate share of the net OPEB liability	\$ 1,893,524	\$ 1,480,082	\$ 1,151,213

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Wastewater System's proportionate share of the net OPEB liability	\$ 1,422,641	\$ 1,480,082	\$ 1,546,151

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Wastewater System’s contractually required contributions were \$17,258 in 2019 and \$16,780 in 2018.

At December 31, 2019, the number of plan-wide active participants and retirees were 591 and 650, respectively, and 597 and 632 at December 31, 2018, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan were determined by an actuarial valuation as of December 31, 2019. Following is information related to the changes in total OPEB liability:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability, beginning of year	\$ 265,451	\$ 277,234
Service cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	<u>(17,258)</u>	<u>(16,780)</u>
Total OPEB Liability, end of year	<u>\$ 300,592</u>	<u>\$ 265,451</u>
 Retiree Life Insurance Plan OPEB expense	 \$2,078	 (\$5,102)

At December 31, 2019 and 2018, the Wastewater System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 26,376	\$ -
Differences between expected and actual experience	<u>7,284</u>	<u>3,089</u>
Total Deferred Outflows of Resources	<u>\$ 33,660</u>	<u>\$ 3,089</u>
Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 6,479</u>	<u>\$ 8,970</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:		
	2020	\$ 6,637
	2021	6,637
	2022	7,291
	2023	<u>6,616</u>
Total		<u>\$ 27,181</u>

Actuarial Assumptions. 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 the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as 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:

Single Discount Rate:	
Current measurement date	2.75 percent
Prior measurement date	3.80 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pri-2012
Retired	Pri-2012 Retiree
Disabled	Pri-2012 Disabled Retiree
Disabled	RP-2014 Total Mortality Table
Weighting	Amount-weighted
Future Improvement	Projected generationally using Scale MP-2019

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Wastewater System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.75 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.75 percent) and one-percentage-point higher (3.75 percent) than the current rate:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 341,181	\$ 300,592	\$ 267,358

9. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City involving the Wastewater System. The City believes the likely outcome will not be material to the Wastewater System’s basic financial statements.

10. RELATED PARTY TRANSACTIONS

The Wastewater System purchases electricity from the City’s Electric System. Purchases of \$607,073 and \$638,793 were made in 2019 and 2018, respectively, from the Electric System and are included in operating expenses.

The City allocates the cost of certain administrative services. In addition, the City established internal service funds which provide services to various City departments. Charges to the Wastewater System for these services was approximately \$2,438,000 in 2019 and \$2,519,000 in 2018 and are included in other operating expenses.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Wastewater System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

12. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Wastewater System's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Wastewater System for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Wastewater System's financial position, changes in financial position, and timing and amount of cash flows, the related financial consequences and duration are highly uncertain.

**CITY OF HAMILTON - WASTEWATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SIX MEASUREMENT PERIODS**

	Wastewater System's Proportion of the Net Pension Liability	Wastewater System's Proportionate Share of the Net Pension Liability	Wastewater System's Covered Payroll	Wastewater System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0132201%	\$ 1,567,858	\$ 1,471,631	106.54%	86.36%
2015	0.0132201%	1,594,487	1,636,133	97.45%	86.45%
2016	0.0107035%	1,853,976	1,468,558	126.24%	81.08%
2017	0.0107242%	2,435,275	1,397,050	174.32%	77.25%
2018	0.0110575%	1,734,709	1,519,392	114.17%	84.66%
2019	0.0112077%	3,069,559	1,490,579	205.93%	74.70%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST SEVEN YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Wastewater System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 191,312	\$ (191,312)	\$ -	\$ 1,471,631	13.00%
2014	196,336	(196,336)	-	1,636,133	12.00%
2015	176,227	(176,227)	-	1,468,558	12.00%
2016	167,646	(167,646)	-	1,397,050	12.00%
2017	197,521	(197,521)	-	1,519,392	13.00%
2018	208,681	(208,681)	-	1,490,579	14.00%
2019	220,991	(220,991)	-	1,578,507	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2018.

Changes in assumptions:

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

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

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

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

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

**CITY OF HAMILTON - WASTEWATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST THREE MEASUREMENT PERIODS**

	Wastewater System's Proportion of the Net OPEB Liability	Wastewater System's Proportionate Share of the Net OPEB Liability	Wastewater System's Covered Payroll	Wastewater System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0104915%	\$ 1,059,681	\$ 1,397,050	75.85%	54.05%
2018	0.0111868%	1,214,800	1,519,392	79.95%	54.14%
2019	0.0113524%	1,480,082	1,490,579	99.30%	46.33%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FOUR YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Wastewater System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 27,941	\$ (27,941)	\$ -	\$ 1,397,050	2.00%
2017	15,193	(15,193)	-	1,519,392	1.00%
2018	-	-	-	1,490,579	0.00%
2019	-	-	-	1,578,507	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

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

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

**CITY OF HAMILTON - WASTEWATER SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
 SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
 LAST THREE YEARS**

	Wastewater System's Proportion Total OPEB Liability	Wastewater System's Covered- Employee Payroll	Wastewater System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 1,519,392	18.25%
2018	265,451	\$ 1,490,579	17.81%
2019	300,592	\$ 1,578,507	19.04%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 CURRENT YEAR**

	2019	2018
Beginning Total OPEB Liability	\$ 265,451	\$ 277,234
Service Cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	(17,258)	(16,780)
Ending Total OPEB Liability	<u>\$ 300,592</u>	<u>\$ 265,451</u>

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

This page intentionally left blank.

CITY OF HAMILTON, OHIO – WATER SYSTEM

Financial Statements

Years Ended December 31, 2019 and 2018

With Independent Auditors' Report

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 9
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13 – 35
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	36
Schedule of Pension Contributions	36
Schedule of the Proportionate Share of the Net OPEB Liability.....	37
Schedule of OPEB Contributions	37
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	38

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Water System, an enterprise fund of the City of Hamilton, Ohio (the Water System), as of and for the years ended December 31, 2019 and 2018 and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Water System as of December 31, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Water System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2019 and 2018, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Water System. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2020

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Water System's financial performance provide an overall review of that System's financial activities for the years ended December 31, 2019 and 2018. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2019 and 2018 are as follows:

- The assets and deferred outflows of resources of the Hamilton Water System exceeded its liabilities and deferred inflows of resources at the close of 2019 and 2018 by \$69,322,536 and \$70,975,818 (net position), respectively. Of these amounts, \$4,432,917 and \$4,324,687 (unrestricted net position) in those years were available to meet the system's ongoing obligations to customers and creditors.
- The system's total net position decreased by \$1,653,282 between 2018 and 2019, representing a 2.3% decrease.
- In 2019, the Water System's long-term debt increased by \$1,464,748, as the Water System continued to receive loans from the Ohio Public Works Commission and issued \$9,875,000 in Series 2019 revenue bonds to refund the Series 2009B bonds and finance water main improvements.

Water System Summary

The Water System is a fully integrated water supply, treatment, transmission and distribution system. Over the last decade, the City has implemented a number of improvements to the Water System, providing increased system capabilities and enhanced reliability. The System has two water treatment facilities and two well fields that draw water from the Great Miami Buried Valley Aquifer. The transmission and distribution system consists of more than 300 miles of various size main piping, storage facilities and pumping stations.

The Water System currently provides water service to approximately 24,100 customers who represent a diverse mixture of residential, as well as small and large commercial and industrial customers. The City Water Service Area is comprised of virtually all customers within the City's corporate boundaries and a small number of customers in some areas in the immediate surrounding environs. Butler County is the largest customer of the Water System and for the last several years has accounted for in excess of fifty percent of the Water System's revenue. The Water System provides water service to an area within the City limits and areas in the immediate surrounding environs. No water utility other than the Water System can serve new customers in the City without a franchise, and, under the City Charter, only the City Council has the authority to grant utility franchises. City Council has not granted any franchises.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Water System for the years ended December 31, 2019 and 2018.

Reporting Hamilton's Water System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Water System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Water System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2019 and 2018. The City of Hamilton's Water System is reported as a business-type, proprietary, enterprise fund and is considered a major fund for purposes of individual fund reporting. Payments made from the Water Fund are restricted to Water System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the system looks at all financial transactions of the Water Fund and asks the question, "How did we do financially during 2019 and 2018?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources, and liabilities of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the change in net position. The change in net position is important because it tells the reader whether, for the system, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Water System's Financial Statements provide additional information that is essential to a full understanding of the data provided.

The System provides services that have a charge based upon the amount of usage. The City's Water System charges fees to recoup the cost of the entire operation of the Water System as well as all capital expenses associated with these facilities.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Water Fund, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$69,322,536, \$70,975,818, and \$72,343,885 as of December 31, 2019, 2018, and 2017, respectively. By far, the largest portion of the net position of the Water System reflect its investment in capital assets (e.g. land, buildings, improvements, construction in progress, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The ratios of net investment in capital assets to total net position are as follows: 91% for 2019, 92% for 2018, and 93% for 2017. The System employs these assets in the treatment and distribution of water to customers; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt and it should be noted that the resources needed to repay these debts must be provided from other sources, primarily the revenues of the system, since the capital assets themselves cannot be used to liquidate the liabilities. Table 1 provides a summary of the Water System's Statement of Net Position for the Years Ended December 31, 2019 and 2018, and 2017.

	2019	2018	2017
Current and other assets	\$ 15,517,380	\$ 13,309,808	\$ 10,805,385
Capital assets	97,537,104	97,831,400	96,084,026
Total assets	<u>113,054,484</u>	<u>111,141,208</u>	<u>106,889,411</u>
Deferred outflows of resources	2,139,776	1,367,606	2,169,630
Long-term liabilities:			
Net pension liability	4,464,933	2,570,300	3,425,456
OPEB liabilities	2,453,494	2,065,404	1,847,352
Other long-term amounts	36,206,228	33,757,369	29,532,838
Other liabilities	2,676,124	2,386,705	1,839,813
Total liabilities	<u>45,800,779</u>	<u>40,779,778</u>	<u>36,645,459</u>
Deferred inflows of resources	70,945	753,218	69,697
Net investment in capital assets	63,361,840	65,019,187	66,920,743
Restricted	1,527,779	1,631,944	1,691,218
Unrestricted	4,432,917	4,324,687	3,731,924
Total net position	<u>\$ 69,322,536</u>	<u>\$ 70,975,818</u>	<u>\$ 72,343,885</u>

The net pension liability (NPL) is reported by the Water System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Gas System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Water System'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 following discussion pertains to the net pension and net OPEB liabilities reported in the Gas System's financial statements as a result of the Water System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Water System's financial statements reflects OPEB benefits provided by the Water System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Water System'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 Water System 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.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

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 Statement No. 68 and GASB Statement No. 75, the Water System'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.

The Water System reported decreases in net position of \$1,653,282, \$1,368,067 and \$2,558,657 in 2019, 2018, and 2017, respectively. The Water System reported operating losses of \$490,814 and \$1,450,920 in 2019 and 2017, respectively, and operating income of \$188,724 in 2018. The increase in operating expenses can be attributable to increases in pension and OPEB expenses associated with the increases in the net pension and OPEB liabilities.

Net non-operating expenses of \$1,162,468, decreased by \$394,323 from 2018 primarily due to a decrease in interest costs associated with the maturity of Series 2009A bonds and refunding of the Series 2009B bonds.

Statement of Revenues, Expenses and Changes in Net Position

	2019	2018	2017
Operating revenues	\$ 14,747,917	\$ 13,904,531	\$ 13,390,954
Operating expenses:			
Depreciation	3,276,085	3,407,890	3,524,198
Other operating expenses	11,962,646	10,307,917	11,317,676
Total operating expenses	15,238,731	13,715,807	14,841,874
Operating income (loss)	(490,814)	188,724	(1,450,920)
Non-Operating revenues (expenses)			
Interest and fiscal charges	(1,431,959)	(1,891,063)	(1,281,756)
Loss on disposal of capital assets	(53,634)	(24,784)	(110,681)
Other non-operating revenues	323,125	359,056	284,700
Total non-operating revenues (expenses)	(1,162,468)	(1,556,791)	(1,107,737)
Change in net position	(1,653,282)	(1,368,067)	(2,558,657)
Beginning net position	70,975,818	72,343,885	N/A
Ending net position	\$ 69,322,536	\$ 70,975,818	\$ 72,343,885

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Water System as of December 31, 2019, 2018, and 2017 amounted to \$63.4 million, \$65.0 million, and \$66.9 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment. Significant capital activity during 2019 included the water main improvements at Southern Hills, Bilstein plant and on North Third Street

Note 5 (Capital Assets) provides Water System asset activity during 2019 and 2018.

Debt Administration: At the end of 2019, the Water System had five outstanding long-term revenue bond issues totaling \$29,000,000.

In November 2019, the Water System issued \$9,875,000 in Series 2019 revenue bonds to refund the Series 2009B bonds and financing water main replacements and other necessary improvements.

The Water System received several Ohio Public Works Commission loans during 2019 for water main improvements.

See Note 6 for a discussion of outstanding Water System bonds, notes and related activity.

Economic Factors and Future Trends

The City's Water System is continually monitoring its costs and seeking ways to maintain its rates. However, the cost of providing water continues to escalate with rising chemical costs and environmental regulation. These costs are required by both ordinance and indentures to be passed along to its customers. The number of customers has remained steady, but per capita usage is dropping. The City implemented a series of five rate increases of 6% each, effective on February 1, 2008; January 1, 2009; January 1, 2010; January 1, 2011 and January 1, 2012. In 2014 the City adopted a five-year cost of service rate plan to be implemented annually from 2015 through 2019.

The annual budget of the City Water System is adopted in accordance with ten-year projections developed by City staff, and these projections are reviewed and updated in the spring and fall of each year, or more often as deemed necessary by City Management.

While the transmission and distribution system has been well-maintained, the age of the infrastructure has led to increases in the number of water main breaks and leaks over the last decade or so. For example, the average water main age in the City is approximately seventy years. In 2010, City Council adopted an ordinance which created the Water Main Replacement Program Rider (WMRPR). The WMRPR program is designed to renew and replace the City's water mains based upon an average 75-year useful life. Debt is expected to be issued, approximately every three years, to provide funding for the program until 2020. At that time, the Rider will fully fund the WMRPR. The WMRPR is being assessed on all City water customers, beginning in 2013. All funds collected through the WMRPR will be dedicated to meeting the capital expenditure and debt service requirements of the Water Main Replacement Program.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018
Unaudited

Beginning with rates adopted in 2014, all water main replacement costs are being collected in the base water service rates to more accurately reflect the cost of service. Furthermore, the WMRPR was set to zero at the time of the first step of the five-year rate plan in 2015.

While the U.S. EPA establishes water quality and testing guidelines, the Ohio EPA enforces these guidelines, by using Primary and Secondary Drinking Water Standards. The Primary Drinking Water Standards focus on health concerns, by placing restrictions on water content of certain chemicals, such as lead, arsenic, mercury, fluoride and nitrates. Secondary Drinking Water Standards focus on the aesthetic quality of water, such as color, odor, iron and pH. Based on its tests and monitoring program, the City is currently in compliance with all U.S. EPA and Ohio EPA requirements. The City's treated water meets or exceeds applicable standards and is generally regarded as high quality, which is confirmed by consumer surveys. To further support this label of "high quality," the City of Hamilton won the award of "Best of the Best" in the National Section of the American Water Works Association Water Tasting Contest in 2018 and again in 2019 for the Ohio Section. Furthermore, the City's water won "The World's Best Tasting Tap Water" at the Berkeley Springs competition in 2015 and received a bronze medal in 2017.

The City maintains an Aa3 bond rating with a stable outlook for its Water System.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Water System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – WATER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and investments	\$ 12,020,054	9,527,214
Accounts receivable (less allowance for uncollectible accounts of \$797,882 and \$775,036, respectively)	1,587,804	1,783,802
Interest receivable	34,996	33,750
Inventory of supplies at cost	269,300	216,973
Prepaid expenses	77,447	116,125
Total current assets	<u>13,989,601</u>	<u>11,677,864</u>
Restricted assets:		
Cash and investments	<u>1,527,779</u>	<u>1,631,944</u>
Noncurrent assets:		
Nondepreciable capital assets	9,731,547	10,480,236
Depreciable capital assets, net	<u>87,805,557</u>	<u>87,351,164</u>
Total noncurrent assets	<u>97,537,104</u>	<u>97,831,400</u>
Total assets	<u>113,054,484</u>	<u>111,141,208</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	527,898	427,426
Pension	1,372,642	734,244
OPEB	<u>239,236</u>	<u>205,936</u>
Total deferred outflows of resources	<u>2,139,776</u>	<u>1,367,606</u>
LIABILITIES		
Current liabilities:		
Accounts payable	673,980	607,704
Accrued wages and benefits	131,854	61,442
Intergovernmental payable	43,363	9,144
Accrued interest payable	250,637	302,702
Customer deposits payable	279,648	267,469
Compensated absences payable-current	275,845	247,990
OWDA loans payable - current portion	42,103	35,938
OPWC loans payable - current portion	63,694	39,316
Revenue bonds payable - current portion	<u>915,000</u>	<u>815,000</u>
Total current liabilities	<u>2,676,124</u>	<u>2,386,705</u>
Non-current liabilities:		
Compensated absences payable	260,355	248,683
OWDA loans payable	808,157	850,160
OPWC loans payable	4,790,606	3,459,398
Revenue bonds payable	30,347,110	29,199,128
Net pension liability	4,464,933	2,570,300
Net OPEB liability	2,152,902	1,799,953
Total OPEB liability	<u>300,592</u>	<u>265,451</u>
Total noncurrent liabilities	<u>43,124,655</u>	<u>38,393,073</u>
Total liabilities	<u>45,800,779</u>	<u>40,779,778</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	58,625	610,163
OPEB	<u>12,320</u>	<u>143,055</u>
Total deferred inflows of resources	<u>70,945</u>	<u>753,218</u>
NET POSITION		
Net investment in capital assets	63,361,840	65,019,187
Restricted for debt service	527,779	631,944
Restricted for rate stabilization	1,000,000	1,000,000
Unrestricted	<u>4,432,917</u>	<u>4,324,687</u>
Total net position	<u>\$ 69,322,536</u>	<u>70,975,818</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WATER SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Charges for services	\$ 14,381,567	13,774,863
Other operating revenues	<u>366,350</u>	<u>129,668</u>
Total operating revenues	<u>14,747,917</u>	<u>13,904,531</u>
Operating expenses:		
Personal services	4,297,110	3,754,819
Materials and supplies	1,464,549	1,259,493
Contractual services	3,502,862	2,452,917
Depreciation	3,276,085	3,407,890
Other operating expenses	<u>2,698,125</u>	<u>2,840,688</u>
Total operating expenses	<u>15,238,731</u>	<u>13,715,807</u>
Operating income (loss)	(490,814)	188,724
Non-operating revenues (expenses):		
Investment earnings	129,371	166,128
Grants	193,754	192,928
Loss on disposal of capital assets	(53,634)	(24,784)
Interest and fiscal charges	<u>(1,431,959)</u>	<u>(1,891,063)</u>
Total non-operating revenues (expenses)	<u>(1,162,468)</u>	<u>(1,556,791)</u>
Change in net position	(1,653,282)	(1,368,067)
Net position - beginning of year	<u>70,975,818</u>	<u>72,343,885</u>
Net position - end of year	\$ <u>69,322,536</u>	<u>70,975,818</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WATER SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 14,943,915	13,918,572
Cash paid for employee services and benefits	(3,224,862)	(3,234,235)
Cash paid to suppliers for goods and services	<u>(7,561,803)</u>	<u>(6,397,851)</u>
Net cash from operating activities	<u>4,157,250</u>	<u>4,286,486</u>
Cash Flows from noncapital financing activities:		
Intergovernmental grants	<u>193,754</u>	<u>192,928</u>
Cash flows from capital and related financing activities:		
Payment for capital acquisitions	(3,073,688)	(4,943,579)
Note retirement	-	(5,980,000)
Debt proceeds	11,033,089	9,098,026
Revenue bond principal retirement	(9,730,000)	(735,000)
OWDA loan principal retirement	(35,838)	(46,712)
OPWC loan proceeds	1,394,902	2,074,202
OPWC loan principal retirement	(39,316)	(24,998)
Debt interest payments	<u>(1,639,603)</u>	<u>(1,529,723)</u>
Net cash from capital and related financing activities	<u>(2,090,454)</u>	<u>(2,087,784)</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>128,125</u>	<u>153,416</u>
Net change in cash and cash equivalents	2,388,675	2,545,046
Cash and cash equivalents at beginning of year	<u>11,159,158</u>	<u>8,614,112</u>
Cash and cash equivalents at end of year	\$ <u>13,547,833</u>	<u>11,159,158</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ (490,814)	188,724
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	3,276,085	3,407,890
Change in deferred outflows-pension and OPEB	(671,698)	417,117
Change in deferred inflows-pension and OPEB	(682,273)	683,521
Changes in assets and liabilities:		
(Increase) decrease in receivables	195,998	14,041
(Increase) decrease in inventory	(52,327)	39,519
(Increase) decrease in prepaid items	38,678	(225)
Increase (decrease) in customer deposits payable	12,179	18,908
Increase (decrease) in payables	104,541	100,136
Increase (decrease) in accrued liabilities	109,939	52,703
Increase (decrease) in intergovernmental payables	34,219	1,256
Increase (decrease) in net pension liability	1,894,633	(855,156)
Increase (decrease) in net OPEB liability	352,949	229,835
Increase (decrease) in total OPEB liability	<u>35,141</u>	<u>(11,783)</u>
Net cash from operating activities	\$ <u>4,157,250</u>	<u>4,286,486</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	\$ <u>285,645</u>	<u>323,910</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – WATER SYSTEM

Notes to Financial Statements Years Ended December 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Water System (Water System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Water System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Water System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Water System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Water System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Water System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Water System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Bond Premiums and Discounts – Unamortized bond premiums and discounts are amortized on the interest method over the term of the related bonds. Amortization of bond discounts were \$34,738 and \$2,061 during 2019 and 2018, respectively, and amortization of bond premiums were \$89,844 during both 2019 and 2018.

Compensated Absences - The Water System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Water System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting 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) until then. The Water System reports deferred outflows of resources for deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pension/OPEB amounts are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Water System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Water System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Change in Accounting Principle – For 2019, the Water System implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 revises the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements.

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

2. CASH AND INVESTMENTS

The Water System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Water System totaled \$13,020,054 at December 31, 2019 and \$10,527,214 at December 31, 2018 and consisted of demand deposits, money market funds, commercial paper, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Cash and investments held by trustees were \$527,779 and \$631,944 at December 31, 2019 and 2018, respectively.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued 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. For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2019 and 2018, approximately 95% of the City's deposits with financial institutions, including the amount of pooled deposits related to the Water System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Water System's uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Water Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of “safekeeping” accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S. agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk.

The City’s pooled investments, as well as the investments held by trustees specifically for the Water System, are invested primarily in U.S. governmental agency securities with a credit rating of AA+ and an average maximum maturity of 1.76 years and STAR Ohio which has a credit rating of AAAM.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Earned and unbilled consumer accounts	\$ 962,742	1,212,574
Earned and billed consumer accounts	1,395,153	1,320,443
Other	27,791	25,821
Less allowance for uncollectible accounts	<u>(797,882)</u>	<u>(775,036)</u>
Total	<u>\$ 1,587,804</u>	<u>1,783,802</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$1,527,779 and \$1,631,944 at December 31, 2019 and 2018, respectively.

5. CAPITAL ASSETS

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

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,487,106	\$ -	\$ -	\$ 2,487,106
Construction in progress	7,993,130	1,416,235	(2,164,924)	7,244,441
Subtotal	<u>10,480,236</u>	<u>1,416,235</u>	<u>(2,164,924)</u>	<u>9,731,547</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	25,475,323	-	-	25,475,323
Machinery and equipment	130,282,988	3,784,112	(285,967)	133,781,133
Subtotal	<u>155,758,311</u>	<u>3,784,112</u>	<u>(285,967)</u>	<u>159,256,456</u>
Totals at historical cost	<u>166,238,547</u>	<u>5,200,347</u>	<u>(2,450,891)</u>	<u>168,988,003</u>
Less accumulated depreciation:				
Buildings and improvements	18,004,646	630,951	-	18,635,597
Machinery and equipment	50,402,501	2,645,134	(232,333)	52,815,302
Total accumulated depreciation	<u>68,407,147</u>	<u>3,276,085</u>	<u>(232,333)</u>	<u>71,450,899</u>
Capital assets, net	<u>\$ 97,831,400</u>	<u>\$ 1,924,262</u>	<u>\$ (2,218,558)</u>	<u>\$ 97,537,104</u>

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/18	Increases	Decreases	Balance 12/31/18
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,487,106	\$ -	\$ -	\$ 2,487,106
Construction in progress	5,110,278	3,304,823	(421,971)	7,993,130
Subtotal	<u>7,597,384</u>	<u>3,304,823</u>	<u>(421,971)</u>	<u>10,480,236</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	25,475,323	-	-	25,475,323
Machinery and equipment	128,154,241	2,297,196	(168,449)	130,282,988
Subtotal	<u>153,629,564</u>	<u>2,297,196</u>	<u>(168,449)</u>	<u>155,758,311</u>
Totals at historical cost	<u>161,226,948</u>	<u>5,602,019</u>	<u>(590,420)</u>	<u>166,238,547</u>
Less accumulated depreciation:				
Buildings and improvements	17,305,449	699,197	-	18,004,646
Machinery and equipment	47,837,473	2,708,693	(143,665)	50,402,501
Total accumulated depreciation	<u>65,142,922</u>	<u>3,407,890</u>	<u>(143,665)</u>	<u>68,407,147</u>
Capital assets, net	<u>\$ 96,084,026</u>	<u>\$ 2,194,129</u>	<u>\$ (446,755)</u>	<u>\$ 97,831,400</u>

6. LONG TERM DEBT

On September 9, 2009, the Water System issued \$9,675,000 in Series 2009A Water System Revenue Bonds and \$8,915,000 in Series 2009B Taxable Water System Build America Revenue Bonds to currently refund bond anticipation notes and provide funding for Water System production and distribution improvements. With the issuance of the Build America Bonds, the Water System will be entitled to receive an interest subsidy payment of 35% from the U.S. Treasury on any interest payment date. The Series 2009A revenue bonds fully matured in 2019. The Series 2009B Build America Bonds were refunded during 2019, as discussed below.

In September 2015, the Water System issued \$11,700,000 of water revenue refunding bonds to refund Series 2002 mortgage revenue bonds. The Series 2015 bonds fully mature in 2044 and bear interest of 4.4 to 5.25 percent per annum.

In 2016, the Water System entered into a direct borrowing agreement with Ohio Water Development Authority (OWDA), as administrator for the U.S. Environmental Protection Agency (EPA), for the Water System to receive a loan for a water main replacement at River Road. The interest rate on the loan is 1.33 percent per annum. As of December 31, 2019, the outstanding balance of the loan is \$850,260.

In 2016, the Water System obtained financing through Ohio Public Works Commission (OPWC) direct borrowing for a water main replacement at Pershing Avenue with a 0 percent interest rate. This loan is payable from water utility charges. As of December 31, 2019, the outstanding balance of the loan is \$699,945.

In 2016, the Water System obtained financing through OPWC direct borrowing for a water main replacement at Arlington Avenue at an interest rate of 0 percent. This loan is received by the Water System in increments as the project is completed. As of December 31, 2019, the outstanding balance of the loan is \$590,777.

In 2017, the Water System obtained financing through OPWC direct borrowing for a water main replacement at State Route 4 at an interest of 0 percent. This loan is payable from water utility charges. As of December 31, 2019, the outstanding balance of the loan is \$415,207.

In April 2018, the Water System currently refunded the 2017 Notes through the issuance of \$5,625,000 of Series 2018 Water System Refunding Revenue Bonds. These bonds fully mature in 2029 and bear interest of 4.0 percent per annum. The refunding reduced the Water System's debt service payments over the life of the refunding bonds and notes by \$225,611. The economic gain (difference between the present values of the old and new debt service payments) was \$193,049.

In August 2018, the Water System issued \$2,965,000 of Series 2018 Water System Revenue Bonds to fund water main replacements and other necessary improvements. These bonds fully mature in 2048 and bear interest between 3.0 to 4.0 percent per annum.

In 2018, the Water System obtained financing through OPWC direct borrowing for a water main replacement at Southern Hills at an interest rate of 0 percent. This loan is payable from water utility charges. As of December 31, 2019, the outstanding balance of the loan is \$1,813,380.

In 2019, the Water System obtained financing through OPWC direct borrowing for a water main loop project at the Bilstein plant at an interest rate of 0 percent. This loan is payable from water utility charges. As of December 31, 2019, the outstanding balance of the loan is \$238,021.

In 2019, the Water System obtained financing through OPWC direct borrowing for a water main replacement at North Third Street an interest rate of 0 percent. This loan is received in increments as the project progresses. As of December 31, 2019, the Water System had received \$1,096,970 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2019, the loan has not been finalized and there is no amortization schedule for the loan.

In November 2019, the Water System defeased \$8,915,000 of the Series 2009B Taxable Water System Build America Revenue Bonds through the issuance of \$8,075,000 of Water System Mortgage Revenue Refunding Bonds. These bonds fully mature in 2039 and bear interest between 3.0 to 4.0 percent per annum. The net proceeds of the Series 2019 bonds have been used to currently refund the Series 2009B bonds. The Water System reduced its aggregate debt service payments over the life of the refunded bonds by \$2,133,926 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,559,754.

Also in November 2019, the Water System issued \$1,800,000 of Series 2019 Water System Mortgage Revenue Bonds for water main replacements and other necessary improvements. These bonds fully mature in 2049 and bear interest between 3.0 to 4.0 percent annum.

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

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Within One Year
Series 2009A Revenue Bonds	\$ 460,000	\$ -	\$ (460,000)	\$ -	\$ -
Series 2009B Revenue BABs	8,915,000	-	(8,915,000)	-	-
Series 2015 Refunding Bonds	10,890,000	-	(300,000)	10,590,000	305,000
Series 2018 Refunding Bonds	5,625,000	-	-	5,625,000	470,000
Series 2018 Revenue Bonds	2,965,000	-	(55,000)	2,910,000	60,000
Series 2019 Refunding Bonds	-	8,075,000	-	8,075,000	50,000
Series 2019 Revenue Bonds	-	1,800,000	-	1,800,000	30,000
Less deferred amount:					
for issuance premiums	1,193,866	1,177,270	(89,844)	2,281,292	-
for issuance discounts	(34,738)	(19,181)	34,738	(19,181)	-
<i>Direct borrowings:</i>					
OWDA Loan-River Road	886,098	-	(35,838)	850,260	42,103
OPWC Loan- Pershing Ave	724,943	-	(24,998)	699,945	12,499
OPWC Loan-Arlington Ave	556,485	34,292	-	590,777	9,846
OPWC Loan-SR 4	429,525	-	(14,318)	415,207	7,159
OPWC Loan-Southern Hills	1,787,761	25,619	-	1,813,380	30,223
OPWC Loan-Bilstein Loop	-	238,021	-	238,021	3,967
OPWC Loan-N. Third Street	-	1,096,970	-	1,096,970	-
Net pension liability-OPERS	2,570,300	1,894,633	-	4,464,933	-
Net OPEB liability-OPERS	1,799,953	352,949	-	2,152,902	-
Total OPEB liability-Retiree Life	265,451	35,141	-	300,592	-
Compensated absences	496,673	287,517	(247,990)	536,200	275,845
	<u>\$ 39,531,317</u>	<u>\$ 14,998,231</u>	<u>\$ (10,108,250)</u>	<u>\$ 44,421,298</u>	<u>\$ 1,296,642</u>

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

	Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due Within One Year
Series 2009A Revenue Bonds	\$ 905,000	\$ -	\$ (445,000)	\$ 460,000	\$ 460,000
Series 2009B Revenue BABs	8,915,000	-	-	8,915,000	-
Series 2015 Refunding Bonds	11,180,000	-	(290,000)	10,890,000	300,000
Series 2018 Refunding Bonds	-	5,625,000	-	5,625,000	-
Series 2018 Revenue Bonds	-	2,965,000	-	2,965,000	55,000
Less deferred amount:					
for issuance premiums	775,684	508,026	(89,844)	1,193,866	-
for issuance discounts	(36,799)	-	2,061	(34,738)	-
Notes payable	5,980,000	-	(5,980,000)	-	-
<i>Direct borrowings:</i>					
OWDA Loan-River Road	932,810	-	(46,712)	886,098	35,938
OPWC Loan- Pershing Ave	749,941	-	(24,998)	724,943	24,998
OPWC Loan-Arlington Ave	394,813	161,672	-	556,485	-
OPWC Loan-SR 4	304,756	124,769	-	429,525	14,318
OPWC Loan-Southern Hills	-	1,787,761	-	1,787,761	-
Net pension liability-OPERS	3,425,456	-	(855,156)	2,570,300	-
Net OPEB liability-OPERS	1,570,118	229,835	-	1,799,953	-
Total OPEB liability-Retiree Life	277,234	-	(11,783)	265,451	-
Compensated absences	445,276	259,645	(208,248)	496,673	247,990
	<u>\$ 35,819,289</u>	<u>\$ 11,661,708</u>	<u>\$ (7,949,680)</u>	<u>\$ 39,531,317</u>	<u>\$ 1,138,244</u>

Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The revenue bonds are insured under a municipal bond insurance policy. Under the terms of this policy, the payments of principal and interest are guaranteed by the insurer.

Maturities of revenue bonds at December 31, 2019 are as follows:

	Principal	Interest	Total
2020	\$ 915,000	\$ 1,131,014	\$ 2,046,014
2021	915,000	1,138,313	2,053,313
2022	945,000	1,107,688	2,052,688
2023	970,000	1,074,688	2,044,688
2024	1,005,000	1,039,950	2,044,950
2025-2029	5,670,000	4,587,076	10,257,076
2030-2034	6,160,000	3,358,357	9,518,357
2035-2039	7,450,000	1,947,362	9,397,362
2040-2044	3,925,000	650,752	4,575,752
2045-2049	1,045,000	98,363	1,143,363
Total	<u>\$ 29,000,000</u>	<u>\$ 16,133,563</u>	<u>\$ 45,133,563</u>

Maturities of the completed direct borrowing OWDA and OPWC loans as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 105,797	\$ 11,169	\$ 116,966
2021	170,054	10,607	180,661
2022	170,624	10,038	180,662
2023	171,201	9,461	180,662
2024	171,785	8,876	180,661
2025-2029	867,972	35,335	903,307
2030-2034	883,803	19,503	903,306
2035-2039	793,100	3,655	796,755
2040-2044	636,935	-	636,935
2045-2049	636,319	-	636,319
Total	<u>\$ 4,607,590</u>	<u>\$ 108,644</u>	<u>\$ 4,716,234</u>

7. **DEFINED BENEFIT PENSION PLANS**

The Water System contributes to the Ohio Public Employees Retirement System.

Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Water System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Water System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for 2019 and 2018 as follows:

Statutory Maximum Contribution Rates

Employer	14.0	%
Employee	10.0	%

Actual Contribution Rates

Employer:		
Pension	14.0	%
Post-employment Health Care Benefits	<u>0.0</u>	<u>%</u>
Total Employer	<u>14.0</u>	<u>%</u>
Employee	<u>10.0</u>	<u>%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Water System's contractually required contributions were \$321,450 and \$309,200 for 2019 and 2018, respectively. Of this amount, \$10,175 was reported as an intergovernmental payable in 2019 and \$8,636 in 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water System's proportion of the net pension liability was based on the Water System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2019</u>	<u>2018</u>
Proportionate Share of the Net Pension Liability	\$ 4,464,933	\$ 2,570,300
Proportion of the Net Pension Liability	0.0163025%	0.0163838%
Change in Proportion	-0.0000813%	0.0012992%
Pension Expense	\$ 1,023,087	\$ 563,374

At December 31, 2019 and 2018, the Water System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 606,016	\$ -
Water System change in proportionate share	56,287	115,251
Changes in assumptions	388,683	307,168
Differences between expected and actual experience	206	2,625
Water System contributions subsequent to the measurement date	<u>321,450</u>	<u>309,200</u>
Total Deferred Outflows of Resources	<u>\$ 1,372,642</u>	<u>\$ 734,244</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 551,809
Water System change in proportionate share	-	7,701
Differences between expected and actual experience	<u>58,625</u>	<u>50,653</u>
Total Deferred Inflows of Resources	<u>\$ 58,625</u>	<u>\$ 610,163</u>

\$321,450 reported as deferred outflows of resources related to pension resulting from the Water System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2020	\$ 459,067
2021	195,460
2022	56,217
2023	<u>281,823</u>
Total	<u>\$ 992,567</u>

Actuarial Assumptions. 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.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return:	
Current measurement period	7.2 percent
Prior measurement period	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board 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.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Water System's proportionate share of the net pension liability	\$ 6,595,998	\$ 4,464,933	\$ 2,693,991

8. DEFINED BENEFIT OPEB PLANS

The Water System contributes to the Ohio Public Employees Retirement System and the City’s Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Water System’s contractually required contributions were \$0 for 2019 and 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Water System’s proportion of the net OPEB liability was based on the Water System’s share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2019</u>	<u>2018</u>
Proportionate Share of the Net OPEB Liability	\$ 2,152,902	\$ 1,799,953
Proportion of the Net OPEB Liability	0.0165130%	0.0165753%
Change in Proportion	-0.0000623%	0.0010301%
OPEB Expense	\$ 182,943	\$ 182,727

At December 31, 2019 and 2018, the Water System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 98,698	\$ -
Water System change in proportionate share	36,737	70,389
Changes in assumptions	69,412	131,056
Differences between expected and actual experience	729	1,402
Total Deferred Outflows of Resources	<u>\$ 205,576</u>	<u>\$ 202,847</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 134,085
Differences between expected and actual experience	5,841	-
Total Deferred Inflows of Resources	<u>\$ 5,841</u>	<u>\$ 134,085</u>

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:	
2020	\$ 110,835
2021	22,936
2022	16,254
2023	49,710
Total	<u>\$ 199,735</u>

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

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

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment Rate of Return:	
Current measurement period	6.00 percent
Prior measurement period	6.50 percent
Municipal Bond Rate	
Current measurement period	3.71 percent
Prior measurement period	3.31 percent
Health Care Cost Trend Rate:	
Current measurement period	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior measurement period	7.50 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

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

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	<u>17.00%</u>	<u>5.57%</u>
Total	<u>100.00%</u>	<u>5.16%</u>

Discount Rate. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Water System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Water System's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Gas System's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.96 percent) or 1.0 percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Water System's proportionate share of the net OPEB liability	\$ 2,754,288	\$ 2,152,902	\$ 1,674,534

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Water System's proportionate share of the net OPEB liability	\$ 2,069,349	\$ 2,152,902	\$ 2,249,005

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Water System’s contractually required contributions were \$17,258 for 2019 and \$16,780 for 2018.

At December 31, 2019, the number of plan-wide active participants and retirees were 591 and 650, respectively, and 597 and 632 at December 31, 2018, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan were determined by an actuarial valuation as of December 31, 2019. Following is information related to the changes in total OPEB liability:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability, beginning of year	\$ 265,451	\$ 277,234
Service cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	<u>(17,258)</u>	<u>(16,780)</u>
Total OPEB Liability, end of year	<u>\$ 300,592</u>	<u>\$ 265,451</u>
 Retiree Life Insurance Plan OPEB expense	 \$2,078	 (\$5,102)

At December 31, 2019 and 2018, the Water System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2019</u>	<u>2018</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 26,376	\$ -
Differences between expected and actual experience	<u>7,284</u>	<u>3,089</u>
Total Deferred Outflows of Resources	<u>\$ 33,660</u>	<u>\$ 3,089</u>
 Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 6,479</u>	<u>\$ 8,970</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:	
2020	\$ 6,637
2021	6,637
2022	7,291
2023	<u>6,616</u>
Total	<u>\$ 27,181</u>

Actuarial Assumptions. 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 the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:	
Current measurement date	2.75 percent
Prior measurement date	3.80 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pri-2012
Retired	Pri-2012 Retiree
Disabled	Pri-2012 Disabled Retiree
Disabled	RP-2014 Total Mortality Table
Weighting	Amount-weighted
Future Improvement	Projected generationally using Scale MP-2019

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.75 percent was used to measure the total OBEB liability on the measurement date of December 31, 2019. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Water System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.75 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.75 percent) and one-percentage-point higher (3.75 percent) than the current rate:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 341,181	\$ 300,592	\$ 267,358

9. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City involving the Water System. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the financial position of the Water System.

10. RELATED PARTY TRANSACTIONS

The Water System purchases electricity from the City's Electric System. Purchases of \$1,062,350 and \$971,234 from the Electric System are included in operating expenses in 2019 and 2018, respectively.

The City allocates the cost of certain administrative services. In addition, the City established internal service funds which provide services to various City departments. Charges to the Water System for these services were approximately \$2,826,000 and \$3,018,000 in 2019 and 2018, respectively, and are included in other operating expenses.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Water System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

12. CONTRACTUAL COMMITMENTS

At December 31, 2019, the Water System had contractual commitments in the amounts of approximately \$484,000 related to property, plant and equipment improvements and additions, as well as various other contract and agreements to provide or receive services related to the Water System operations.

13. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Water System's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the Water System for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the Water System's financial position, changes in financial position, and timing and amount of cash flows, the related financial consequences and duration are highly uncertain.

**CITY OF HAMILTON - WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SIX MEASUREMENT PERIODS**

	Water System's Proportion of the Net Pension Liability	Water System's Proportionate Share of the Net Pension Liability	Water System's Covered Payroll	Water System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0167181%	\$ 1,988,353	\$ 2,168,223	91.70%	86.36%
2015	0.0167181%	2,016,384	2,074,942	97.18%	86.45%
2016	0.0143774%	2,490,354	1,811,517	137.47%	81.08%
2017	0.0150846%	3,425,456	1,876,583	182.54%	77.25%
2018	0.0163838%	2,570,300	2,137,177	120.27%	84.66%
2019	0.0163025%	4,464,933	2,208,571	202.16%	74.70%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST SEVEN YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Water System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 281,869	\$ (281,869)	\$ -	\$ 2,168,223	13.00%
2014	248,993	(248,993)	-	2,074,942	12.00%
2015	217,382	(217,382)	-	1,811,517	12.00%
2016	225,190	(225,190)	-	1,876,583	12.00%
2017	277,833	(277,833)	-	2,137,177	13.00%
2018	309,200	(309,200)	-	2,208,571	14.00%
2019	321,450	(321,450)	-	2,296,071	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2018.

Changes in assumptions:

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

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

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

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

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

**CITY OF HAMILTON - WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST THREE MEASUREMENT PERIODS**

	Water System's Proportion of the Net OPEB Liability	Water System's Proportionate Share of the Net OPEB Liability	Water System's Covered Payroll	Water System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0155452%	\$ 1,570,118	\$ 1,876,583	83.67%	54.05%
2018	0.0165753%	1,799,953	2,137,177	84.22%	54.14%
2019	0.0165130%	2,152,902	2,208,571	97.48%	46.33%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FOUR YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Water System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 37,532	\$ (37,532)	\$ -	\$ 1,876,583	2.00%
2017	21,372	(21,372)	-	2,137,177	1.00%
2018	-	-	-	2,208,571	0.00%
2019	-	-	-	2,296,071	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

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

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

**CITY OF HAMILTON - WATER SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
 SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
 LAST THREE YEARS**

	Water System's Proportion Total OPEB Liability	Water System's Covered- Employee Payroll	Water System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 2,137,177	12.97%
2018	265,451	\$ 2,208,571	12.02%
2019	300,592	\$ 2,296,071	13.09%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 LAST TWO YEARS**

	2019	2018
Beginning Total OPEB Liability	\$ 265,451	\$ 277,234
Service Cost	2,937	3,100
Interest	9,762	9,412
Difference between expected and actual experience	6,383	3,947
Changes in assumptions	33,317	(11,462)
Benefit payments	(17,258)	(16,780)
Ending Total OPEB Liability	<u>\$ 300,592</u>	<u>\$ 265,451</u>

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

OHIO AUDITOR OF STATE
KEITH FABER



CITY OF HAMILTON

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 28, 2020**