

CITY OF HAMILTON, OHIO

Schedule of Expenditures of Federal Awards and
Other Single Audit Reports
Year Ended December 31, 2018



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Honorable Mayor and Members of City Council
City of Hamilton
345 High Street
Hamilton, Ohio 45011

We have reviewed the *Independent Auditors' Report* of the City of Hamilton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. 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.

Keith Faber
Auditor of State
Columbus, Ohio

July 8, 2019

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CITY OF HAMILTON, OHIO
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

<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>				
Community Development Block Grants/Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	n/a	14.218	\$ 326,819	\$ 1,293,273
HOME Investment Partnerships Program	n/a	14.239	<u>80,800</u>	<u>120,788</u>
Total U.S. Department of Housing and Urban Development			<u>407,619</u>	<u>1,414,061</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Bulletproof Vest Partnership Program	n/a	16.607		<u>12,254</u>
Total U.S. Department of Justice				<u>12,254</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
<i>(Passed through Ohio Department of Public Safety):</i>				
Highway Safety Cluster:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	OVI-2019-00003	20.601		7,176
Alcohol Impaired Driving Countermeasures Incentive Grants I	OVI-2018-00007	20.601		<u>19,627</u>
				26,803
State and Community Highway Safety (STEP Grant)	IDEP/STEP - 2019 - 00062	20.600		5,313
State and Community Highway Safety (STEP Grant)	IDEP/STEP - 2018 - 00051	20.600		<u>13,157</u>
				<u>18,470</u>
Total Highway Safety Cluster				<u>45,273</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	IDEP/STEP - 2019 - 00062	20.608		6,452
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	IDEP/STEP - 2018 - 00051	20.608		<u>16,442</u>
				<u>22,894</u>
<i>(Passed through Ohio Department of Transportation):</i>				
Highway Planning & Construction Cluster:				
Highway Planning and Construction - US 127	PID93595	20.205		150,660
Highway Planning and Construction - US 129	PID93593	20.205		408,891
Highway Planning and Construction - BUT Hamilton Bridge Replacement	PID99904	20.205		<u>222,561</u>
Total Highway Planning & Construction Cluster				<u>782,112</u>
Total U.S. Department of Transportation				<u>850,279</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		17,970
<i>(Passed through Ohio Department of Health)</i>				
Immunization Cooperative Agreements	00920022IM0613	93.268		<u>32,285</u>
Total U.S. Department of Health and Human Services				<u>50,255</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Assistance to Firefighters Grant	n/a	97.044		<u>486,980</u>
Total U.S. Department of Homeland Security				<u>486,980</u>
			<u>\$ 407,619</u>	<u>\$ 2,813,829</u>

CITY OF HAMILTON, OHIO
Schedule of Expenditures of Federal Awards - continued
Year Ended December 31, 2018

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, 2018. 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, 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, 2018, 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 18, 2019, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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 18, 2019

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, 2018. 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, 2018.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 18, 2019, which contained unmodified opinions on those financial 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 18, 2019

**CITY OF HAMILTON, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2018**

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?	none
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)?	none
Identification of major programs:	
• CFDA 14.218 – Community Development Block Grant/Entitlement Grants	
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.

Section III – Federal Award Findings and Questioned Costs

None noted.

**CITY OF HAMILTON, OHIO
Schedule of Prior Year Audit Findings
Year Ended December 31, 2018**

2017-001 – CFDA 20.205 – Highway Planning and Construction Cluster – Reporting

The City did not file the required monthly LPA Prevailing Wage / EEO Report exception for the month of January 2017.

Status: Corrected.





2018 CAFR

The Comprehensive Annual Financial Report for Hamilton, Ohio - Year Ended 12/31/18



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

Prepared by:
Department of Finance

David Jones
Finance Director



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BUTLER COUNTY, OHIO

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INTRODUCTORY SECTION







CITY OF HAMILTON OHIO

Department of Finance

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June 18, 2019

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, 2018, 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, 2018

Based on the foregoing, the reporting entity of the City has no component units but includes all funds, agencies, boards and commissions that are part of the primary government. 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

From a high of more than 11% in early 2010, the local unemployment rate now hovers around 4%. 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, 2018*

The Marcum Apartments, which began construction in spring 2017, opened to residents in fall 2018. The \$13 million mixed-use building has 102 apartment units and five commercial spaces. Four commercial tenants have signed leases: Tano's Bistro, The Casual Pint, Bones Brothers Wings, and Revive Salon. These tenants have begun to build out their space, and all should open in 2019. The Marcum is the first major new development in downtown Hamilton in over 20 years and sits just across from RiversEdge at Marcum Park.

Our Economic Development Department has worked with sixteen new retail and restaurant businesses that opened in Hamilton in 2018. 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 2018:

- BeYOUtiful
- Chubby Bunny
- Dance 2 Fit with Sylvia
- Mona Lisa Permanent Makeup
- Selah Studio
- The Flute Shop
- Two Little Buds
- 3 Bears Emporium
- A Game Knight
- A&A Pretty Pets
- Alexander's Deli
- Alternative Path
- Basil 1791
- R&D Electronics
- Roll On In
- Saint Hood Vintage

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.

***Letter of Transmittal
For the Year Ended December 31, 2018***

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 & aging population.

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.

CITY OF HAMILTON, OHIO

Letter of Transmittal For the Year Ended December 31, 2018

A \$1.8 million renovation that began on the Davis building (302 Main Street) in early 2017 is expected to be completed in spring 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.

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, 2018

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.

Income tax receipts during 2018 were up 2.7% over 2017, and 1.4% above budget. Overall revenue in the General Fund during 2018 came in at 100.5% of budget. The City was successful in limiting General Fund expenditures at 99.2% of the adopted budget. As a result, the City transferred \$1,210,607 to the Economic Budget Stabilization fund in 2018. As of December 31, 2018, the balance in the City's Economic Budget Stabilization fund was \$1,704,585.

INDEPENDENT AUDIT

Included in this report is the unmodified audit opinion rendered on the City's financial statements for the year ended December 31, 2018, 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, 2017. 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.

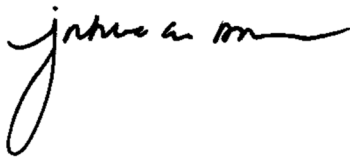
CITY OF HAMILTON, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2018***

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, 2018**

***ELECTED
OFFICIALS***

Pat Moeller	Mayor
Michael Ryan	Vice Mayor
Robert Brown	Council Member
Carla Fiehrer	Council Member
Matthew Von Stein	Council Member
Kathleen Klink	Council Member
Timothy Naab	Council Member
Daniel J. Gattermeyer, Judge	Municipal Court

OFFICE

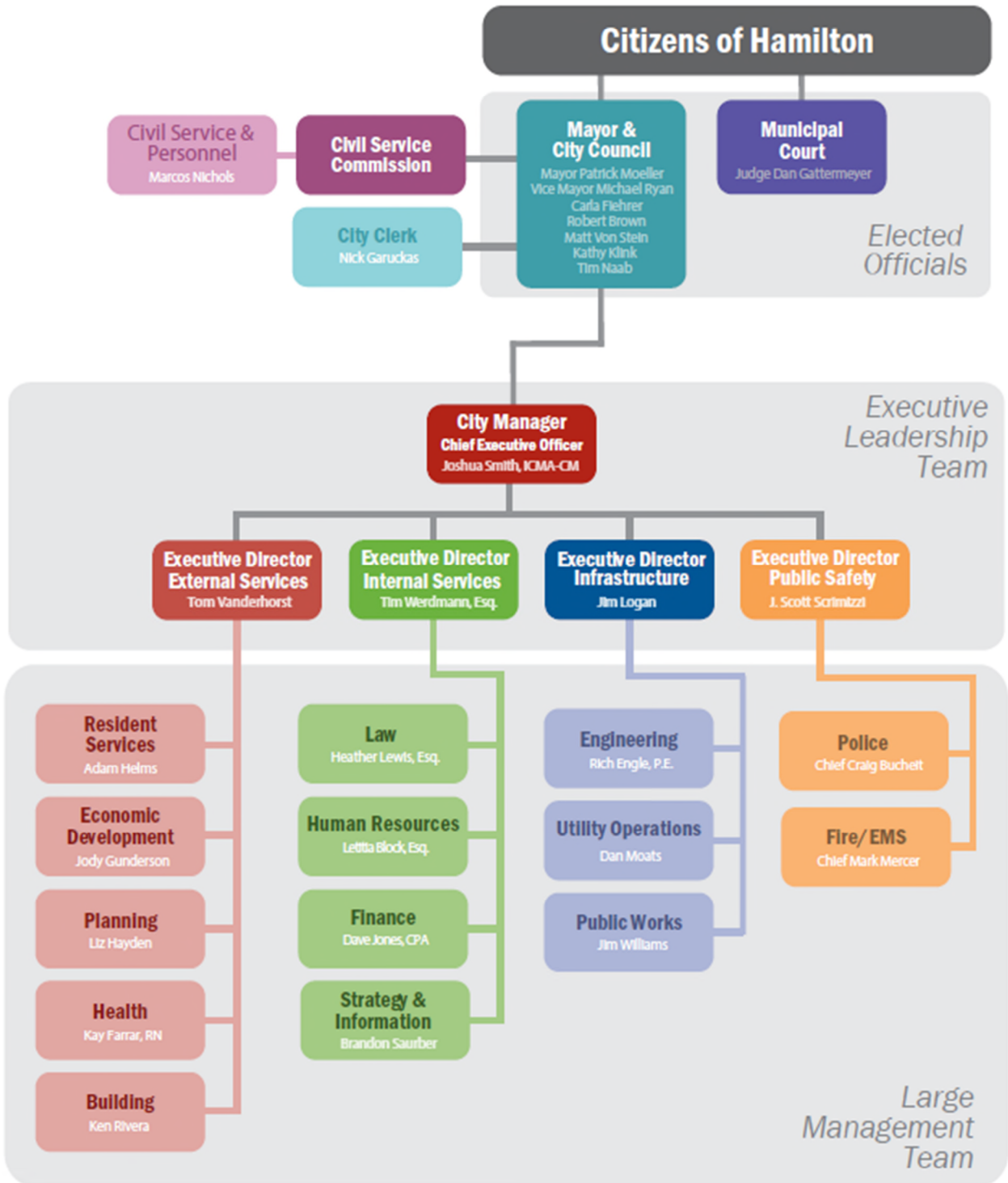
***ADMINISTRATIVE
PERSONNEL***

Joshua A. Smith	City Manager
Timothy Werdmann	Executive Director of Internal Services
Thomas Vanderhorst	Executive Director of External Services
James Logan	Executive Director of Infrastructure Services
J. Scott Scrimizzi	Executive Director of Public Safety
David Jones, CPA	Director of Finance
Letitia Block	Director of Law
Brandon Saurber	Director of Strategy & Information
Marcos Nichols	Director of Civil Service and Personnel
Craig Bucheit	Police Chief
Mark Mercer	Fire Chief
Jody Gunderson	Director of Economic Development
Adam Helms	Director of Resident Services
Kenneth Rivera	Director of Building
Kay Farrar	Director of Health
Elizabeth Hayden	Director of Planning
Dan Moats	Director of Utility Operations
Richard Engle, P.E.	Director of Engineering
Jim Williams	Director of Public Works
Nick Garuckas	City Clerk

TITLE

CITY OF HAMILTON, OHIO

**City Organizational Chart
For the Year Ended December 31, 2018**





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, 2017

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

Management's Responsibility for the Financial Statements

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

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, each major fund, and the aggregate remaining fund information of the City of Hamilton, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019 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 18, 2019



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, 2018. 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 2018 are as follows:

- ❑ In total, net position decreased \$13,901,746. Net position of governmental activities decreased \$4,285,391, which represents a 69% decrease from 2017. Net position of business-type activities decreased \$9,616,355, or 4%.
- ❑ General revenues accounted for \$40,793,070 in revenue or 21% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$151,924,390, or 79%, of total revenues of \$192,717,460.
- ❑ The City had \$66,772,156 in expenses related to governmental activities; \$22,976,355 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$39,510,410 were not adequate to provide for these programs.
- ❑ The general fund had \$37,048,137 in revenues and \$31,609,910 in expenditures. The general fund's fund balance increased from \$7,887,121 to \$16,441,877.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplemental 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, 2018***

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 statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

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CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

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 \$238,265,870 (\$1,946,451 in governmental activities and \$236,319,419 in business type activities) as of December 31, 2018. By far, the largest portion of the City's net position (\$261,511,232) 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 2018 compared to 2017.

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$42,954,094	\$27,732,172	\$95,304,923	\$94,603,902	\$138,259,017	\$122,336,074
Capital assets, Net	111,973,050	109,934,038	309,170,326	308,162,678	421,143,376	418,096,716
Total Assets	154,927,144	137,666,210	404,475,249	402,766,580	559,402,393	540,432,790
Deferred Outflows of Resources	16,784,484	14,042,295	7,862,685	13,822,069	24,647,169	27,864,364
Net Pension Liability	54,938,978	58,820,005	19,184,853	25,673,951	74,123,831	84,493,956
Net OPEB Liability	48,204,864	39,386,998	13,434,952	11,719,441	61,639,816	51,106,439
Total OPEB Liability	265,451	277,234	1,061,804	1,108,936	1,327,255	1,386,170
Other Long-term Liabilities	43,547,039	34,400,900	123,836,809	119,297,870	167,383,848	153,698,770
Other Liabilities	10,220,446	4,601,214	12,908,859	12,312,930	23,129,305	16,914,144
Total Liabilities	157,176,778	137,486,351	170,427,277	170,113,128	327,604,055	307,599,479
Deferred Inflows of Resources	12,588,399	7,990,312	5,591,238	539,747	18,179,637	8,530,059
Net Position						
Net Investment in Capital Assets	69,635,711	82,073,889	191,875,521	196,590,931	261,511,232	278,664,820
Restricted	5,550,638	7,132,718	15,306,399	15,582,840	20,857,037	22,715,558
Unrestricted (Deficit)	(73,239,898)	(82,974,765)	29,137,499	33,762,003	(44,102,399)	(49,212,762)
Total Net Position	\$1,946,451	\$6,231,842	\$236,319,419	\$245,935,774	\$238,265,870	\$252,167,616

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 \$20,857,037.

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." For fiscal year 2018, the City adopted 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, 2018**

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.

As a result of implementing GASB 75, the City is reporting OPEB liabilities and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from \$45,722,030 to \$6,231,842 for Governmental Activities and from \$258,603,969 to \$245,935,774 for Business-type Activities.

Change in Net Position – The following table shows the change in net position for 2018 compared with 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services and Sales	\$16,667,089	\$16,463,705	\$128,203,193	\$114,810,046	\$144,870,282	\$131,273,751
Operating Grants and Contributions	3,508,525	4,556,837	744,842	743,577	4,253,367	5,300,414
Capital Grants and Contributions	2,800,741	3,504,621	0	0	2,800,741	3,504,621
Total Program Revenues	22,976,355	24,525,163	128,948,035	115,553,623	151,924,390	140,078,786
General Revenues:						
Property Taxes	5,692,257	5,468,318	0	0	5,692,257	5,468,318
Income Taxes	26,716,305	25,664,959	0	0	26,716,305	25,664,959
Other Local Taxes	3,307,094	3,112,726	0	0	3,307,094	3,112,726
Intergovernmental, Unrestricted	2,281,996	2,206,014	0	0	2,281,996	2,206,014
Investment Earnings	314,480	196,209	1,282,660	781,792	1,597,140	978,001
Miscellaneous	1,198,278	1,509,998	0	0	1,198,278	1,509,998
Total General Revenues	39,510,410	38,158,224	1,282,660	781,792	40,793,070	38,940,016
Total Revenues	62,486,765	62,683,387	130,230,695	116,335,415	192,717,460	179,018,802
Program Expenses						
General Government	7,716,575	10,793,974	0	0	7,716,575	10,793,974
Security of Persons and Property	35,283,600	32,248,544	0	0	35,283,600	32,248,544
Leisure Time Activities	2,880,127	2,872,495	0	0	2,880,127	2,872,495
Community Environment	2,409,400	2,638,446	0	0	2,409,400	2,638,446
Basic Utility Services	7,500,327	6,692,126	0	0	7,500,327	6,692,126
Transportation	8,072,742	5,418,564	0	0	8,072,742	5,418,564
Public Health and Welfare Services	1,525,836	1,876,111	0	0	1,525,836	1,876,111
Interest and Fiscal Charges	1,383,549	1,142,343	0	0	1,383,549	1,142,343
Gas Utility	0	0	22,634,644	20,169,139	22,634,644	20,169,139
Electric Utility	0	0	86,543,649	85,518,469	86,543,649	85,518,469
Water Utility	0	0	15,631,654	16,234,311	15,631,654	16,234,311
Wastewater Utility	0	0	15,037,103	13,359,997	15,037,103	13,359,997
Total Expenses	66,772,156	63,682,603	139,847,050	135,281,916	206,619,206	198,964,519
Total Change in Net Position	(4,285,391)	(999,216)	(9,616,355)	(18,946,501)	(13,901,746)	(19,945,717)
Beginning Net Position - Restated	6,231,842	N/A	245,935,774	N/A	252,167,616	N/A
Ending Net Position - Restated	\$1,946,451	\$6,231,842	\$236,319,419	\$245,935,774	\$238,265,870	\$252,167,616

Governmental Activities

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$174,044 for Governmental Activities and \$160,182 for Business-type Activities computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$4,110,860 for Governmental Activities and \$1,338,837 for Business-type Activities.

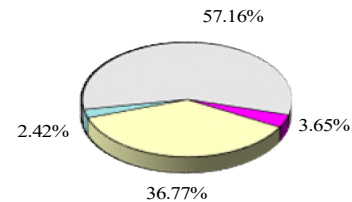
Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Total 2018 program expenses under GASB 75	\$66,772,156	\$139,847,050
OPEB expense under GASB 75	(4,110,860)	(1,338,837)
2018 contractually required contribution	80,637	0
Adjusted 2018 program expenses	<u>62,741,933</u>	<u>138,508,213</u>
Total 2017 program expenses under GASB 45	<u>63,682,603</u>	<u>135,281,916</u>
Change in program expenses not related to OPEB	<u><u>(\$940,670)</u></u>	<u><u>\$3,226,297</u></u>

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 43% and 9%, respectively, of revenues for governmental activities in 2018. The City's reliance upon tax revenues is demonstrated by the following graph indicating 57% of total revenues from general tax revenues:

<u>Revenue Sources</u>	<u>2018</u>	<u>Percent of Total</u>
General Tax Revenues	\$35,715,656	57.16%
Intergovernmental, Unrestricted	2,281,996	3.65%
Program Revenues	22,976,355	36.77%
General Other	1,512,758	2.42%
Total Revenue	<u>\$62,486,765</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities decreased \$9,616,355. This represented a 4% change from the prior year.

In 2017, the Gas Utility reported a decrease in charges to customers due to a more mild winter resulting in less customer usage and less expensive unit cost. The Gas Utility subsequently reported increases in charges to customers and additional expense in 2018, as demand returned to normal operating levels.

The Electric Utility reported a significant increase in revenues due to increased customer demand, as well as an increase in base rates that are charged to customers.

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Water and Wastewater Utility revenues remained consistent with the prior year. A decrease in Water expenses can be attributed to costs incurred in the prior year for lime lagoon cleaning. An increase in Wastewater expenses can be attributed to costs associated with current year debt refunding.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$20,582,433, which is an increase from last year's balance of \$10,412,821. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2018 and 2017:

	Fund Balance December 31, 2018	Fund Balance December 31, 2017	Increase (Decrease)
General	\$16,441,877	\$7,887,121	\$8,554,756
Other Governmental	4,140,556	2,525,700	1,614,856
Total	\$20,582,433	\$10,412,821	\$10,169,612

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:

	2018 Revenues	2017 Revenues	Increase (Decrease)
Income Taxes	\$20,877,018	\$20,035,660	\$841,358
Property and Other Local Taxes	5,551,568	5,230,986	320,582
Intergovernmental Revenues	2,177,711	2,039,140	138,571
Charges for Services	5,740,485	5,931,106	(190,621)
Licenses and Permits	916,199	721,268	194,931
Investment Earnings	258,498	172,653	85,845
Fines and Forfeitures	616,268	636,768	(20,500)
All Other Revenue	910,390	1,188,329	(277,939)
Total	\$37,048,137	\$35,955,910	\$1,092,227

General Fund revenues in 2018 increased \$1,092,227, or approximately 3%, when compared with the previous year. The largest contributing factor to this increase was an increase in income tax revenue. An increase in property taxes was the result of a property value reappraisal performed in 2017. Licenses and permits increased due to increases in building permits, which can be attributed to two new commercial building projects.

	2018 Expenditures	2017 Expenditures	Increase (Decrease)
General Government	\$5,251,080	\$7,062,128	(\$1,811,048)
Security of Persons and Property	22,576,552	22,889,837	(313,285)
Leisure Time Activities	1,293,047	1,303,817	(10,770)
Community Environment	772,224	765,575	6,649
Basic Utility Services	328,958	303,850	25,108
Public Health and Welfare Services	1,388,049	1,415,439	(27,390)
Total	\$31,609,910	\$33,740,646	(\$2,130,736)

CITY OF HAMILTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

General Fund expenditures decreased \$2,130,736, or approximately 6% from the prior year. A decrease in general government can be attributed to several factors; the City began outsourcing income tax collections, early retirement incentives offered in the prior year, and claims paid in the prior year for water damage. An increase in reimbursements to the General Fund from several public safety funds contributed to a decrease in security of persons and property.

Other Governmental Funds – The City's Other Governmental Funds reported an increase in fund balance of \$1,614,856. Decreases in Ohio Department of Transportation and community development grants contributed to a decrease in intergovernmental revenues. An increase in reimbursements to the General Fund from several public safety Other Governmental Funds resulted in an increase in security of persons and property. A decrease in public health and welfare can be attributed to public health costs being paid mostly from the General Fund. Increased costs in the prior year for infrastructure improvements, building improvements, and machinery and equipment purchases resulted in a subsequent decrease in basic utility services and capital outlay in the current year.

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 2018 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 2018, the City had \$421,143,376 invested in land, construction in progress, buildings, improvements, infrastructure, and machinery and equipment, net of accumulated depreciation. Of this total, \$111,973,050 was related to governmental activities and \$309,170,326 to the business-type activities. The following tables show 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Land	\$19,937,050	\$20,309,897	(\$372,847)
Construction In Progress	27,977,972	30,928,415	(2,950,443)
Buildings and Improvements	46,006,559	44,100,105	1,906,454
Machinery and Equipment	30,427,047	29,172,430	1,254,617
Infrastructure	167,458,924	161,354,915	6,104,009
Less: Accumulated Depreciation	(179,834,502)	(175,931,724)	(3,902,778)
Totals	<u>\$111,973,050</u>	<u>\$109,934,038</u>	<u>\$2,039,012</u>

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Land decreased due to the sale of 8 acres at Hamilton Enterprise Park and a 22 acre parcel near Miami University.

Construction in progress decreased due to the completion of the High Street and Martin Luther King Boulevard intersection improvement project and River's Edge Trail Connection project.

Buildings and improvements increased as a direct result of the completion of the new parking lot L, River's Edge Trail Connection and the Riverfront Streetscape project.

Machinery and equipment increased due to the purchase of several police vehicles, an ambulance, two dump trucks with snowplows and new SCBA units for the fire department.

The increase in infrastructure was a direct result of the completion of two pedestrian bridges, two street resurfacing projects, High Street and Martin Luther King Boulevard intersection improvement and two storm sewer improvement projects.

	Business-Type Activities		Increase (Decrease)
	2018	2017	
Land	\$7,908,794	\$7,883,794	\$25,000
Construction in Progress	33,054,026	29,571,842	3,482,184
Intangible Capital Assets	1,070,786	1,070,786	0
Buildings and Improvements	131,658,351	129,109,829	2,548,522
Machinery and Equipment	658,004,491	648,469,980	9,534,511
Less: Accumulated Depreciation	(522,526,122)	(507,943,553)	(14,582,569)
Totals	\$309,170,326	\$308,162,678	\$1,007,648

The increase in construction in progress was due to the Lindenwald gas main replacement project, 2018 utility pole replacement program, two water main replacement projects and the Main street streetscape project.

Land and buildings and improvements increased as a direct result of the completion of a water reclamation pump station and new concrete ramps and dock at the utility maintenance building.

Machinery and equipment increased due to the completion of the 2017 gas main replacement project, the 2017 utility pole replacement program, two water main replacement projects and a sanitary sewer replacement. Several underground primary replacement projects, including new duct bank, were completed. New equipment was also installed at the water plant. Several utility vehicles were also purchased including an electric line bucket truck and other miscellaneous power operated equipment.

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

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Debt

The following table summarizes the City's debt outstanding as of December 31, 2018 and 2017:

	2018	Restated 2017
Governmental Activities:		
General Obligation Bonds	\$14,057,373	\$3,211,639
Income Tax Revenue Bonds	20,915,338	22,789,549
Special Assessment Bonds	305,000	470,000
OWDA Loan	3,286,599	3,019,894
Net Pension Liability	54,938,978	58,820,005
Net OPEB Liability	48,204,864	39,386,998
Total OPEB Liability	265,451	277,234
Worker's Compensation Retrospective Liability	0	17,303
Compensated Absences	4,982,729	4,892,515
Total Governmental Activities	146,956,332	132,885,137
Business-Type Activities:		
Mortgage Revenue Bonds	111,358,507	65,263,274
General Obligation Bonds	555,000	0
Long Term Notes	0	45,220,000
OWDA Loans	1,868,038	1,243,921
OPWC Loans	7,142,237	4,967,531
Net Pension Liability	19,184,853	25,673,951
Net OPEB Liability	13,434,952	11,719,441
Total OPEB Liability	1,061,804	1,108,936
Compensated Absences	2,913,027	2,603,144
Total Business-Type Activities	157,518,418	157,800,198
Totals	\$304,474,750	\$290,685,335

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, 2018, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 15.

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 2018 unencumbered General Fund cash was \$6,334,800 (non-GAAP), or 13.6% of 2018 General Fund revenues.

Income tax receipts were up 2.7% over 2017, stabilizing the ending General Fund balance. In 2018, the City was successful in curbing the General Fund expenditures at 99.2% of the adopted budget. The City transferred \$1,210,607 into the Economic Budget Stabilization fund in 2018 due to the City's improving fiscal condition that was created by controlling expenditures while stabilizing revenues through ongoing economic development. As of December 31, 2018, the balance in the City's Economic Budget Stabilization fund was \$1,704,585.

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. General Fund revenue is estimated to be \$46.1 million and General Fund expenditures are expected to be \$46.1 million for 2019, resulting in another structurally balanced budget.

Many positive economic development efforts have come to fruition. In May 2018, Kirsch CPA Group, LLC, an Ohio-based accounting firm opened its new main office in the former Fifth Third building in downtown Hamilton. The accounting firm has experienced significant growth in recent years and will bring approximately 70 professional accounting jobs to the downtown area. 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 is expected to begin operations in Summer 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.

Requests for Information

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, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Investments	\$ 22,843,682	\$ 62,527,979	\$ 85,371,661
Receivables:			
Taxes	12,505,165	0	12,505,165
Accounts	1,257,411	14,512,040	15,769,451
Due From Other Governments	2,287,290	0	2,287,290
Interest	35,311	221,503	256,814
Special Assessments	290,707	0	290,707
Loans	1,393,506	0	1,393,506
Internal Balance	227,846	(227,846)	0
Inventory of Supplies at Cost	137,136	2,129,695	2,266,831
Prepaid Items	252,046	835,153	1,087,199
Restricted Assets:			
Cash and Investments	0	15,306,399	15,306,399
Cash with Fiscal Agent	1,723,994	0	1,723,994
Non-Depreciable Capital Assets	47,915,022	40,962,820	88,877,842
Depreciable Capital Assets, Net	64,058,028	268,207,506	332,265,534
Total Assets	<u>154,927,144</u>	<u>404,475,249</u>	<u>559,402,393</u>
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	285,274	855,830	1,141,104
Pension	10,483,557	5,480,437	15,963,994
OPEB	6,015,653	1,526,418	7,542,071
Total Deferred Outflows of Resources	<u>16,784,484</u>	<u>7,862,685</u>	<u>24,647,169</u>
Liabilities:			
Accounts Payable	2,335,312	8,146,846	10,482,158
Accrued Wages and Benefits	690,672	436,910	1,127,582
Intergovernmental Payable	125,897	63,540	189,437
Claims Payable	399,180	0	399,180
Accrued Liabilities	495,959	936	496,895
Customer Deposits	7,690	3,006,976	3,014,666
Unearned Revenue	4,000	0	4,000
Accrued Interest Payable	181,736	1,253,651	1,435,387
General Obligation Notes Payable	5,980,000	0	5,980,000
Long-Term Liabilities:			
Due Within One Year	4,780,561	5,930,090	10,710,651
Due in More Than One Year:			
Net Pension Liability	54,938,978	19,184,853	74,123,831
Net OPEB Liability	48,204,864	13,434,952	61,639,816
Total OPEB Liability	265,451	1,061,804	1,327,255
Other Amounts Due in More Than One Year	38,766,478	117,906,719	156,673,197
Total Liabilities	<u>157,176,778</u>	<u>170,427,277</u>	<u>327,604,055</u>

CITY OF HAMILTON, OHIO

**Statement of Net Position
December 31, 2018**

	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	5,675,500	0	5,675,500
Pension	5,847,150	4,554,544	10,401,694
OPEB	1,065,749	1,036,694	2,102,443
Total Deferred Inflows of Resources	12,588,399	5,591,238	18,179,637
Net Position:			
Net Investment in Capital Assets	69,635,711	191,875,521	261,511,232
Restricted For:			
Debt Service	0	5,806,399	5,806,399
Capital Projects	858,579	0	858,579
Community Environment	397,247	0	397,247
General Government	672,102	0	672,102
Public Health and Welfare Services	9,716	0	9,716
Security of Persons and Property	2,311,412	0	2,311,412
Streets	1,226,582	0	1,226,582
Nonexpendable Endowments	75,000	0	75,000
Rate Stabilization	0	9,500,000	9,500,000
Unrestricted (Deficit)	(73,239,898)	29,137,499	(44,102,399)
Total Net Position	\$ 1,946,451	\$ 236,319,419	\$ 238,265,870

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Activities
For the Year Ended December 31, 2018**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 7,716,575	\$ 4,132,094	\$ 0	\$ 0
Security of Persons and Property	35,283,600	3,355,144	116,680	529,582
Leisure Time Activities	2,880,127	1,084,312	0	0
Community Environment	2,409,400	473,146	1,097,925	0
Basic Utility Services	7,500,327	6,551,126	0	0
Transportation	8,072,742	846,517	2,194,109	2,271,159
Public Health and Welfare Services	1,525,836	224,750	53,162	0
Interest and Fiscal Charges	1,383,549	0	46,649	0
Total Governmental Activities	66,772,156	16,667,089	3,508,525	2,800,741
Business-Type Activities:				
Gas Utility	22,634,644	21,756,412	0	0
Electric Utility	86,543,649	79,889,209	311,385	0
Water Utility	15,631,654	13,904,531	192,928	0
Wastewater Utility	15,037,103	12,653,041	240,529	0
Total Business-Type Activities	139,847,050	128,203,193	744,842	0
Totals	\$ 206,619,206	\$ 144,870,282	\$ 4,253,367	\$ 2,800,741

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, 2018

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (3,584,481)	\$ 0	\$ (3,584,481)
(31,282,194)	0	(31,282,194)
(1,795,815)	0	(1,795,815)
(838,329)	0	(838,329)
(949,201)	0	(949,201)
(2,760,957)	0	(2,760,957)
(1,247,924)	0	(1,247,924)
(1,336,900)	0	(1,336,900)
(43,795,801)	0	(43,795,801)
0	(878,232)	(878,232)
0	(6,343,055)	(6,343,055)
0	(1,534,195)	(1,534,195)
0	(2,143,533)	(2,143,533)
0	(10,899,015)	(10,899,015)
\$ (43,795,801)	\$ (10,899,015)	\$ (54,694,816)
2,262,675	0	2,262,675
2,394,022	0	2,394,022
1,035,560	0	1,035,560
26,716,305	0	26,716,305
3,307,094	0	3,307,094
2,281,996	0	2,281,996
314,480	1,282,660	1,597,140
1,198,278	0	1,198,278
39,510,410	1,282,660	40,793,070
(4,285,391)	(9,616,355)	(13,901,746)
6,231,842	245,935,774	252,167,616
\$ 1,946,451	\$ 236,319,419	\$ 238,265,870

CITY OF HAMILTON, OHIO

Balance Sheet
Governmental Funds
December 31, 2018

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$ 11,945,431	\$ 10,661,201	\$ 22,606,632
Receivables:			
Taxes	7,009,662	5,495,503	12,505,165
Accounts	356,192	901,219	1,257,411
Intergovernmental	723,989	1,563,301	2,287,290
Interest	28,119	7,192	35,311
Special Assessments	0	290,707	290,707
Loans	1,120,000	273,506	1,393,506
Due from Other Funds	2,798	0	2,798
Interfund Receivable	1,169,846	0	1,169,846
Inventory of Supplies, at Cost	60,721	45,627	106,348
Prepaid Items	211,586	40,460	252,046
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	1,723,994	0	1,723,994
Total Assets	\$ 24,352,338	\$ 19,278,716	\$ 43,631,054
Liabilities:			
Accounts Payable	\$ 712,017	\$ 1,462,376	\$ 2,174,393
Accrued Wages and Benefits Payable	607,942	59,738	667,680
Intergovernmental Payable	115,356	8,251	123,607
Claims Payable	399,180	0	399,180
Accrued Liabilities	384,368	111,591	495,959
Customer Deposits	0	7,690	7,690
Due to Other Funds	0	2,798	2,798
Interfund Payable	0	942,000	942,000
Unearned Revenue	0	4,000	4,000
Accrued Interest Payable	0	47,852	47,852
General Obligation Notes Payable	0	5,980,000	5,980,000
Total Liabilities	2,218,863	8,626,296	10,845,159
Deferred Inflows of Resources:			
Unavailable Amounts	3,452,548	3,075,414	6,527,962
Property Tax Levy for Next Fiscal Year	2,239,050	3,436,450	5,675,500
Total Deferred Inflows of Resources	5,691,598	6,511,864	12,203,462
Fund Balance:			
Nonspendable	272,307	161,087	433,394
Restricted	0	2,495,813	2,495,813
Committed	0	3,893,237	3,893,237
Assigned	3,735,047	490,909	4,225,956
Unassigned	12,434,523	(2,900,490)	9,534,033
Total Fund Balance	16,441,877	4,140,556	20,582,433
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 24,352,338	\$ 19,278,716	\$ 43,631,054

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, 2018***

Total Governmental Fund Balances \$ 20,582,433

***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. 111,944,747

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 6,527,962

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

Deferred Outflows - Pension	10,261,908	
Deferred Inflows - Pension	(5,663,358)	
Net Pension Liability	(54,163,069)	
Deferred Outflows - OPEB	5,954,418	
Deferred Inflows - OPEB	(1,025,272)	
Net OPEB Liability	(47,661,503)	
Total OPEB Liability	(265,451)	(92,562,327)

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. (1,278,311)

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	(14,090,000)	
Special Assessment Bonds Payable	(305,000)	
Bond Discount	32,627	
Income Tax Revenue Bonds	(20,915,338)	
Ohio Water Development Authority Loans	(3,286,599)	
Deferred Loss on Refunding	285,274	
Compensated Absences Payable	(4,855,133)	
Accrued Interest Payable	(133,884)	(43,268,053)

Net Position of Governmental Activities **\$ 1,946,451**

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, 2018**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Income Taxes	\$ 20,877,018	\$ 6,058,072	\$ 26,935,090
Property and Other Local Taxes	5,551,568	3,436,448	8,988,016
Intergovernmental Revenues	2,177,711	6,787,357	8,965,068
Charges for Services	5,740,485	8,200,935	13,941,420
Licenses and Permits	916,199	391,791	1,307,990
Investment Earnings	258,498	55,982	314,480
Special Assessments	0	613,095	613,095
Fines and Forfeitures	616,268	326,520	942,788
All Other Revenue	910,390	287,888	1,198,278
Total Revenues	37,048,137	26,158,088	63,206,225
Expenditures:			
Current:			
General Government	5,251,080	5,937	5,257,017
Security of Persons and Property	22,576,552	6,928,980	29,505,532
Leisure Time Activities	1,293,047	1,168,329	2,461,376
Community Environment	772,224	1,510,813	2,283,037
Basic Utility Services	328,958	6,867,866	7,196,824
Transportation	0	3,365,740	3,365,740
Public Health and Welfare Services	1,388,049	18,314	1,406,363
Capital Outlay	0	10,094,186	10,094,186
Debt Service:			
Principal Retirement	0	2,604,211	2,604,211
Interest and Fiscal Charges	0	1,296,558	1,296,558
Total Expenditures	31,609,910	33,860,934	65,470,844
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,438,227	(7,702,846)	(2,264,619)
Other Financing Sources (Uses):			
Sale of Capital Assets	2,721	747,987	750,708
Bond Issuance	2,500,000	8,970,000	11,470,000
OWDA Loans Issued	0	266,705	266,705
Premium on General Obligation Bonds Issued	0	242	242
Discount on General Obligation Bonds Issued	0	(54,429)	(54,429)
Transfers In	3,630,000	10,372,163	14,002,163
Transfers Out	(3,023,200)	(10,978,963)	(14,002,163)
Total Other Financing Sources (Uses)	3,109,521	9,323,705	12,433,226
Net Change in Fund Balance	8,547,748	1,620,859	10,168,607
Fund Balance at Beginning of Year	7,887,121	2,525,700	10,412,821
Increase (Decrease) in Inventory	7,008	(6,003)	1,005
Fund Balance End of Year	\$ 16,441,877	\$ 4,140,556	\$ 20,582,433

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, 2018***

Net Change in Fund Balances - Total Governmental Funds \$ 10,168,607

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	6,405,275	
Depreciation Expense	(3,963,956)	2,441,319

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. This is the loss on disposal of capital assets, net of proceeds. (404,472)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (719,460)

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

Pension	4,672,019	
OPEB	80,637	4,752,656

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	(7,024,007)	
OPEB	(4,056,900)	(11,080,907)

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

General Obligation Bonds Issued	(11,470,000)	
Premium on Bonds Issued	(242)	
Discount on Bonds Issued	54,429	
Ohio Water Development Authority Loan Issuance	(266,705)	(11,682,518)

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	565,000	
Special Assessment Bond Principal Payment	165,000	
Income Tax Revenue Bond Principal Payment	1,874,211	
Change in Deferred Loss on Refunding	(35,659)	
Change in Bond Premium	5,079	2,573,631

(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, 2018***

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (56,411)

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	(73,599)	
Worker's Compensation Liability	17,303	
Change in Inventory	1,005	(55,291)

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. (222,545)

Change in Net Position of Governmental Activities \$ (4,285,391)

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, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 20,445,000	\$ 20,454,230	\$ 20,739,027	\$ 284,797
Property and Other Local Taxes	5,210,000	5,355,000	5,530,922	175,922
Intergovernmental Revenues	2,080,200	2,155,200	2,156,597	1,397
Charges for Services	15,780,115	16,482,115	15,956,791	(525,324)
Licenses and Permits	708,420	708,420	916,199	207,779
Investment Earnings	177,500	177,500	231,224	53,724
Fines and Forfeitures	667,130	655,130	619,881	(35,249)
All Other Revenue	148,495	238,495	332,923	94,428
Total Revenues	<u>45,216,860</u>	<u>46,226,090</u>	<u>46,483,564</u>	<u>257,474</u>
Expenditures:				
Current:				
Security of Persons and Property	30,004,297	29,992,375	29,809,366	183,009
Public Health and Welfare Services	1,472,212	1,501,739	1,453,270	48,469
Community Environment	1,660,575	1,705,775	1,617,849	87,926
Basic Utility Services	1,282,087	1,345,867	1,292,068	53,799
General Government	10,232,948	11,300,618	11,320,449	(19,831)
Total Expenditures	<u>44,652,119</u>	<u>45,846,374</u>	<u>45,493,002</u>	<u>353,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	564,741	379,716	990,562	610,846
Other Financing Sources (Uses):				
Sale of Capital Assets	500	500	2,721	2,221
Bond Issuance	1,500,000	1,500,000	2,500,000	1,000,000
Transfers Out	(2,810,607)	(2,810,607)	(2,810,231)	376
Total Other Financing Sources (Uses):	<u>(1,310,107)</u>	<u>(1,310,107)</u>	<u>(307,510)</u>	<u>1,002,597</u>
Net Change in Fund Balance	(745,366)	(930,391)	683,052	1,613,443
Fund Balance at Beginning of Year	4,906,377	4,906,377	4,906,377	0
Prior Year Encumbrances	745,371	745,371	745,371	0
Fund Balance at End of Year	<u>\$ 4,906,382</u>	<u>\$ 4,721,357</u>	<u>\$ 6,334,800</u>	<u>\$ 1,613,443</u>

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2018**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 4,950,209	\$ 32,940,119	\$ 9,527,214
Restricted Cash and Investments	2,500,049	7,070,806	1,631,944
Receivables:			
Accounts	3,466,405	7,722,133	1,783,802
Interest	17,536	116,689	33,750
Inventory of Supplies at Cost	178,801	1,733,218	216,973
Prepaid Items	120,625	482,278	116,125
Total Current Assets	11,233,625	50,065,243	13,309,808
Noncurrent Assets:			
Non Depreciable Capital Assets	3,638,610	20,538,220	10,480,236
Depreciable Capital Assets, Net	30,423,271	97,128,263	87,351,164
Total Noncurrent Assets	34,061,881	117,666,483	97,831,400
Total Assets	45,295,506	167,731,726	111,141,208
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	267,845	0	427,426
Pension	496,829	2,516,120	734,244
OPEB	140,346	698,209	205,936
Total Deferred Outflows of Resources	905,020	3,214,329	1,367,606
Liabilities:			
Current Liabilities:			
Accounts Payable	2,074,835	5,075,820	607,704
Accrued Wages and Benefits	37,231	207,671	61,442
Intergovernmental Payable	5,914	29,460	9,144
Accrued Liabilities - Current	0	936	0
Customer Deposits Payable	787,257	1,655,215	267,469
Interfund Payable	0	0	0
Compensated Absences Payable - Current	170,246	598,266	247,990
Accrued Interest Payable	40,762	392,876	302,702
General Obligation Bonds Payable - Current	0	0	0
Revenue Bonds Payable - Current	585,000	920,000	815,000
OWDA Loans Payable - Current	0	0	35,938
OPWC Loans Payable - Current	0	0	39,316
Total Current Liabilities	3,701,245	8,880,244	2,386,705

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2018**

	Wastewater	Total	Governmental Activities - Internal Service Funds
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 15,110,437	\$ 62,527,979	\$ 237,050
Restricted Cash and Investments	4,103,600	15,306,399	0
Receivables:			
Accounts	1,539,700	14,512,040	0
Interest	53,528	221,503	0
Inventory of Supplies at Cost	703	2,129,695	30,788
Prepaid Items	116,125	835,153	0
Total Current Assets	20,924,093	95,532,769	267,838
Noncurrent Assets:			
Non Depreciable Capital Assets	6,305,754	40,962,820	11,600
Depreciable Capital Assets, Net	53,304,808	268,207,506	16,703
Total Noncurrent Assets	59,610,562	309,170,326	28,303
Total Assets	80,534,655	404,703,095	296,141
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	160,559	855,830	0
Pension	495,546	4,242,739	1,459,347
OPEB	139,992	1,184,483	403,170
Total Deferred Outflows of Resources	796,097	6,283,052	1,862,517
Liabilities:			
Current Liabilities:			
Accounts Payable	218,880	7,977,239	330,526
Accrued Wages and Benefits	40,579	346,923	112,979
Intergovernmental Payable	6,120	50,638	15,192
Accrued Liabilities - Current	0	936	0
Customer Deposits Payable	297,035	3,006,976	0
Interfund Payable	0	0	227,846
Compensated Absences Payable - Current	189,088	1,205,590	363,529
Accrued Interest Payable	517,311	1,253,651	0
General Obligation Bonds Payable - Current	20,000	20,000	0
Revenue Bonds Payable - Current	1,860,000	4,180,000	0
OWDA Loans Payable - Current	20,221	56,159	0
OPWC Loans Payable - Current	121,451	160,767	0
Total Current Liabilities	3,290,685	18,258,879	1,050,072

(Continued)

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2018**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Revenue Bonds Payable	6,380,000	27,963,975	29,199,128
OWDA Loans Payable	0	0	850,160
OPWC Loans Payable	0	0	3,459,398
Compensated Absences Payable	145,244	603,981	248,683
Net Pension Liability	1,739,203	8,807,947	2,570,300
Net OPEB Liability	1,217,946	6,168,113	1,799,953
Total OPEB Liability	<u>265,451</u>	<u>265,451</u>	<u>265,451</u>
Total Noncurrent Liabilities	<u>9,747,844</u>	<u>43,809,467</u>	<u>38,393,073</u>
Total Liabilities	<u>13,449,089</u>	<u>52,689,711</u>	<u>40,779,778</u>
Deferred Inflows of Resources:			
Pension	412,673	2,091,778	610,163
OPEB	99,699	468,453	143,055
Total Deferred Inflows of Resources	<u>512,372</u>	<u>2,560,231</u>	<u>753,218</u>
Net Position:			
Net Investment in Capital Assets	28,892,737	88,396,753	65,019,187
Restricted for Debt Service	49	3,070,806	631,944
Restricted for Rate Stabilization	2,500,000	4,000,000	1,000,000
Unrestricted	<u>846,279</u>	<u>20,228,554</u>	<u>4,324,687</u>
Total Net Position	<u>\$ 32,239,065</u>	<u>\$ 115,696,113</u>	<u>\$ 70,975,818</u>

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2018**

	Wastewater	Total	Governmental Activities - Internal Service Funds
Noncurrent Liabilities:			
General Obligation Bonds Payable	535,000	535,000	0
Revenue Bonds Payable	43,635,404	107,178,507	0
OWDA Loans Payable	961,719	1,811,879	0
OPWC Loans Payable	3,522,072	6,981,470	0
Compensated Absences Payable	166,842	1,164,750	306,754
Net Pension Liability	1,734,709	14,852,159	5,108,603
Net OPEB Liability	1,214,800	10,400,812	3,577,501
Total OPEB Liability	265,451	1,061,804	0
Total Noncurrent Liabilities	52,035,997	143,986,381	8,992,858
Total Liabilities	55,326,682	162,245,260	10,042,930
Deferred Inflows of Resources:			
Pension	412,079	3,526,693	1,211,643
OPEB	99,464	810,671	266,500
Total Deferred Inflows of Resources	511,543	4,337,364	1,478,143
Net Position:			
Net Investment in Capital Assets	9,566,844	191,875,521	28,303
Restricted for Debt Service	2,103,600	5,806,399	0
Restricted for Rate Stabilization	2,000,000	9,500,000	0
Unrestricted	11,822,083	37,221,603	(9,390,718)
Total Net Position	\$ 25,492,527	\$ 244,403,523	\$ (9,362,415)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.		(8,084,104)	
Net Position of Business-type Activities		\$ 236,319,419	

CITY OF HAMILTON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Operating Revenues:			
Charges for Services	\$ 21,722,101	\$ 78,228,334	\$ 13,774,863
Other Operating Revenues	34,311	1,660,875	129,668
Total Operating Revenues	21,756,412	79,889,209	13,904,531
Operating Expenses:			
Personal Services	2,620,314	10,181,017	3,754,819
Contractual Services	1,141,090	6,756,821	2,452,917
Materials and Supplies	208,173	1,139,991	1,259,493
Purchase of Gas and Electric	12,393,501	53,951,389	0
Depreciation	2,193,772	6,945,557	3,407,890
Other Operating Expenses	3,786,135	3,791,656	2,840,688
Total Operating Expenses	22,342,985	82,766,431	13,715,807
Operating Income (Loss)	(586,573)	(2,877,222)	188,724
Non-Operating Revenue (Expenses):			
Interest Income	123,127	680,178	166,128
Interest and Fiscal Charges	(191,836)	(2,534,447)	(1,891,063)
Loss on Disposal of Capital Assets	(99,823)	(15,821)	(24,784)
Grants	0	311,385	192,928
Total Non-Operating Revenues (Expenses)	(168,532)	(1,558,705)	(1,556,791)
Change in Net Position	(755,105)	(4,435,927)	(1,368,067)
Net Position Beginning of Year - Restated	32,994,170	120,132,040	72,343,885
Net Position End of Year	\$ 32,239,065	\$ 115,696,113	\$ 70,975,818

CITY OF HAMILTON, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018**

	Wastewater	Total	Governmental Activities - Internal Service Funds
Operating Revenues:			
Charges for Services	\$ 12,637,387	\$ 126,362,685	\$ 11,129,910
Other Operating Revenues	15,654	1,840,508	3,305
Total Operating Revenues	12,653,041	128,203,193	11,133,215
Operating Expenses:			
Personal Services	2,506,446	19,062,596	7,759,187
Contractual Services	2,574,377	12,925,205	2,931,339
Materials and Supplies	275,653	2,883,310	1,667,282
Purchase of Gas and Electric	0	66,344,890	0
Depreciation	3,284,325	15,831,544	9,435
Other Operating Expenses	2,594,070	13,012,549	216,904
Total Operating Expenses	11,234,871	130,060,094	12,584,147
Operating Income (Loss)	1,418,170	(1,856,901)	(1,450,932)
Non-Operating Revenue (Expenses):			
Interest Income	313,227	1,282,660	1,437
Interest and Fiscal Charges	(3,721,315)	(8,338,661)	0
Loss on Disposal of Capital Assets	(80,917)	(221,345)	0
Grants	240,529	744,842	0
Total Non-Operating Revenues (Expenses)	(3,248,476)	(6,532,504)	1,437
Change in Net Position	(1,830,306)	(8,389,405)	(1,449,495)
Net Position Beginning of Year - Restated	27,322,833	252,792,928	(7,912,920)
Net Position End of Year	\$ 25,492,527	\$ 244,403,523	\$ (9,362,415)
Change in Net Position - Total Enterprise Funds		\$ (8,389,405)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.		(1,226,950)	
Change in Net Position - Business-type Activities		\$ (9,616,355)	

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018***

	Business Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$22,047,042	\$80,234,981	\$13,918,572
Cash Payments for Goods and Services	(17,398,155)	(63,418,151)	(6,397,851)
Cash Payments to Employees	(2,248,575)	(10,604,010)	(3,234,235)
Net Cash Provided (Used) by Operating Activities	<u>2,400,312</u>	<u>6,212,820</u>	<u>4,286,486</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	0	311,385	192,928
Kilowatt Hour Tax Received	0	2,455,128	0
Kilowatt Hour Tax Paid to State	0	(2,455,128)	0
Advances In from Other Funds	0	13,330,000	0
Advances Out to Other Funds	0	(2,100,000)	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>11,541,385</u>	<u>192,928</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Note Retirement	0	(13,795,000)	(5,980,000)
General Obligation Bond Proceeds	0	0	0
Revenue Bond Proceeds	1,720,000	12,980,000	8,590,000
Premium on Debt Issuance	0	997,909	508,026
Revenue Bond Principal Retirement	(525,000)	(1,290,000)	(735,000)
OWDA Loan Proceeds	0	0	0
OPWC Loan Proceeds	0	0	2,074,202
OWDA Loan Principal Retirement	0	0	(46,712)
OPWC Loan Principal Retirement	0	0	(24,998)
Interest and Fiscal Charges	(149,193)	(1,646,706)	(1,529,723)
Acquisition and Construction of Assets	(2,142,824)	(8,791,136)	(4,943,579)
Net Cash Used by Capital and Related Financing Activities	<u>(1,097,017)</u>	<u>(11,544,933)</u>	<u>(2,087,784)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	116,320	687,674	153,416
Net Cash Provided by Investing Activities	<u>116,320</u>	<u>687,674</u>	<u>153,416</u>
Net Increase in Cash and Cash Equivalents	1,419,615	6,896,946	2,545,046
Cash and Cash Equivalents at Beginning of Year	6,030,643	33,113,979	8,614,112
Cash and Cash Equivalents at End of Year	<u>\$7,450,258</u>	<u>\$40,010,925</u>	<u>\$11,159,158</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$4,950,209	\$32,940,119	\$9,527,214
Restricted Cash and Cash Equivalents	2,500,049	7,070,806	1,631,944
Cash and Cash Equivalents at End of Year	<u>\$7,450,258</u>	<u>\$40,010,925</u>	<u>\$11,159,158</u>

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018***

	Wastewater	Totals	Governmental- Activities Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$12,711,554	\$128,912,149	\$11,133,215
Cash Payments for Goods and Services	(5,371,424)	(92,585,581)	(4,887,860)
Cash Payments to Employees	(2,293,827)	(18,380,647)	(6,418,807)
Net Cash Provided (Used) by Operating Activities	5,046,303	17,945,921	(173,452)
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	240,529	744,842	0
Kilowatt Hour Tax Received	0	2,455,128	0
Kilowatt Hour Tax Paid to State	0	(2,455,128)	0
Advances In from Other Funds	0	13,330,000	227,846
Advances Out to Other Funds	0	(2,100,000)	0
Net Cash Provided by Noncapital Financing Activities	240,529	11,974,842	227,846
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Note Retirement	(25,445,000)	(45,220,000)	0
General Obligation Bond Proceeds	555,000	555,000	0
Revenue Bond Proceeds	25,325,000	48,615,000	0
Premium on Debt Issuance	702,561	2,208,496	0
Revenue Bond Principal Retirement	(1,720,000)	(4,270,000)	0
OWDA Loan Proceeds	690,409	690,409	0
OPWC Loan Proceeds	125,502	2,199,704	0
OWDA Loan Principal Retirement	(19,580)	(66,292)	0
OPWC Loan Principal Retirement	0	(24,998)	0
Interest and Fiscal Charges	(2,256,045)	(5,581,667)	0
Acquisition and Construction of Assets	(1,355,397)	(17,232,936)	(6,388)
Net Cash Used by Capital and Related Financing Activities	(3,397,550)	(18,127,284)	(6,388)
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	299,325	1,256,735	1,437
Net Cash Provided by Investing Activities	299,325	1,256,735	1,437
Net Increase in Cash and Cash Equivalents	2,188,607	13,050,214	49,443
Cash and Cash Equivalents at Beginning of Year	17,025,430	64,784,164	187,607
Cash and Cash Equivalents at End of Year	\$19,214,037	\$77,834,378	\$237,050
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$15,110,437	\$62,527,979	\$237,050
Restricted Cash and Cash Equivalents	4,103,600	15,306,399	0
Cash and Cash Equivalents at End of Year	\$19,214,037	\$77,834,378	\$237,050

(Continued)

CITY OF HAMILTON, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$586,573)	(\$2,877,222)	\$188,724
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	2,193,772	6,945,557	3,407,890
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Accounts Receivable	290,630	345,638	14,041
(Increase) Decrease in Inventory	(1,167)	168,966	39,519
Increase in Prepays	(225)	(839)	(225)
Decrease in Deferred Outflows of Resources	246,660	1,586,686	417,117
Increase (Decrease) in Accounts Payable	105,631	(155,483)	100,136
Increase (Decrease) in Accrued Wages and Benefits	(3,528)	47,547	1,306
Increase in Customer Deposits Payable	29,596	171,937	18,908
Increase in Intergovernmental Payable	1,006	5,199	1,256
Increase in Accrued Liabilities	0	134	0
Increase (Decrease) in Compensated Absences	8,750	199,091	51,397
Decrease in Net Pension Liability	(491,359)	(3,308,541)	(855,156)
Increase in Net OPEB Liability	155,520	787,607	229,835
Decrease in Total OPEB Liability	(11,783)	(11,783)	(11,783)
Increase in Deferred Inflows of Resources	463,382	2,308,326	683,521
Total Adjustments	<u>2,986,885</u>	<u>9,090,042</u>	<u>4,097,762</u>
Net Cash Provided (Used) by Operating Activities	<u>\$2,400,312</u>	<u>\$6,212,820</u>	<u>\$4,286,486</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2018 the Gas, Electric, Water, Wastewater, and Fleet Maintenance Funds had outstanding liabilities of \$80,267, \$385,755, \$323,910, \$78,741, and \$6,348 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, 2018***

	<u>Wastewater</u>	<u>Totals</u>	<u>Governmental- Activities Internal Service Funds</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$1,418,170	(\$1,856,901)	(\$1,450,932)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	3,284,325	15,831,544	9,435
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Accounts Receivable	58,513	708,822	0
(Increase) Decrease in Inventory	473	207,791	(1,127)
Increase in Prepays	(225)	(1,514)	0
Decrease in Deferred Outflows of Resources	329,410	2,579,873	642,267
Increase (Decrease) in Accounts Payable	53,614	103,898	(69,384)
Increase (Decrease) in Accrued Wages and Benefits	(6,025)	39,300	27,720
Increase in Customer Deposits Payable	19,383	239,824	0
Increase in Intergovernmental Payable	410	7,871	892
Increase in Accrued Liabilities	0	134	0
Increase (Decrease) in Compensated Absences	(13,312)	245,926	80,572
Decrease in Net Pension Liability	(700,566)	(5,355,622)	(1,212,811)
Increase in Net OPEB Liability	155,119	1,328,081	456,812
Decrease in Total OPEB Liability	(11,783)	(47,132)	0
Increase in Deferred Inflows of Resources	458,797	3,914,026	1,343,104
Total Adjustments	<u>3,628,133</u>	<u>19,802,822</u>	<u>1,277,480</u>
Net Cash Provided (Used) by Operating Activities	<u>\$5,046,303</u>	<u>\$17,945,921</u>	<u>(\$173,452)</u>

CITY OF HAMILTON, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2018***

	<u>Agency Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$ 1,903,955
Receivables:	
Taxes	<u>17,022</u>
Total Assets	<u>1,920,977</u>
Liabilities:	
Accounts Payable	29,000
Intergovernmental Payable	1,286,088
Due to Others	<u>605,889</u>
Total Liabilities	<u>\$ 1,920,977</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented as of December 31, 2018 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, 2018***

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. Based upon this definition, the City has no component units.

The following potential component units have been excluded from the accompanying financial statements because they are legally separate from the City and the City is not financially accountable for the unit nor is the unit fiscally dependent on the City.

Butler County, Ohio
Butler Technology and Career Development Center
Hamilton City School District
Lane Public Library
Greater Hamilton Convention and Visitor's Bureau
Hamilton Chamber of Commerce
Hamilton Central Business Special Improvement District

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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 agency funds (fiduciary) within the City's financial statements.

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 is the City's only major governmental fund:

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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: agency funds, pension trust funds, investment trust funds and private-purpose trust funds. The City has thirteen Agency funds. The City has a Rounding Up Utility Account Agency fund to account voluntary contributions from citizens and/or organizations within the City to assist elderly, needy and disabled utility customers with utility charges incurred, a Convention and Visitor's Bureau Agency Fund to account for the Hotel/Motel tax levied on guests of the City where 50% of all such tax monies are distributed to the Convention & Visitors Bureau and for which the City receives 50% remuneration, an Employee Taxes and Benefits Agency Fund to account for special taxes and benefits of Hamilton employees, an Unclaimed Monies Agency Fund to account for the receipt of monies unable to be returned or disbursed (the City will hold the receipts for the statutory period and then the monies will be disbursed to the State of Ohio), a Tax Collections Agency Fund to account for taxes

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds (Continued)

obtained on behalf of other municipalities, a Butler County Annexation Tax Agency Fund to account for income taxes obtained from a special annexation of contiguous property to Hamilton, a Hamilton Central Business Special Improvement District Agency Fund to account for the receiving and disbursing of Special Assessments levied upon real property within the Hamilton Central Business Special Improvement District, a Joint Economic Development District Agency Fund 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, a Joint Economic Development District II Agency Fund to account for the receipt and disbursement of income tax revenue pursuant to Section 11 of The 2004 Joint Economic Development District Agreement with Indian Springs/Fairfield Township, a Joint Economic Development District III Agency Fund to account for receipt and disbursement of income tax revenue pursuant to Section 5 of the 2017 amendment to the Hamilton-Indian Springs Joint Economic Development District Contract with Fairfield Township, a Fire Damage Deposit Escrow Agency Fund to account for deposits and reimbursements held for fire damage as prescribed by Ohio Revised Code, a Police Property Room Forfeiture Agency Fund to account for the receipt of items remaining in the custody of the police department (the City will hold the items for certain period of time at which they will be auctioned or disposed) and Municipal Court Agency Fund to account for funds that flow through the municipal court office. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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

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, 2018***

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, 2018, are recorded as deferred inflows of resources. Property taxes, which are measurable at December 31, 2018 but are not intended to finance 2018 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 agency 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, 2018*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The 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 2018.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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" 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, 2018***

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:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$8,547,748
Increase (Decrease):	
Accrued Revenues at December 31, 2018 received during 2019	(5,219,924)
Accrued Revenues at December 31, 2017 received during 2018	4,482,638
Accrued Expenditures at December 31, 2018 paid during 2019	2,218,863
Accrued Expenditures at December 31, 2017 paid during 2018	(2,443,853)
Change in Interfund Balances	(4,572,000)
2017 Prepays for 2018	187,842
2018 Prepays for 2019	(211,586)
Outstanding Encumbrances	(1,636,683)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(669,993)</u>
Budget Basis	<u>\$683,052</u>

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, 2018***

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 2018, 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, 2018, 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, 2018***

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:

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

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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 Loans	Water Fund, Wastewater Fund, Stormwater Management Fund
OPWC Loans	Water Fund, Wastewater Fund
Special Assessment Bonds	Debt Service Fund
Revenue Bonds	Gas Fund, Electric Fund, Water Fund Wastewater Fund
Long Term Notes	Debt Service Fund, Electric Fund, Water Fund, Wastewater 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, 2018***

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 City had no such fund liability at year end. 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, 2018***

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, 2018, 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, 2018***

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, 2018***

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 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” Statement No. 85, “Omnibus 2017,” and Statement No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

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CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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

The implementation of GASB 75 had the following effect on net position as reported December 31, 2017:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Gas Fund</u>	<u>Electric Fund</u>
Net position December 31, 2017	\$45,722,030	\$258,603,969	\$34,319,913	\$125,714,184
Adjustments:				
OPEB Liability	(39,664,232)	(12,828,377)	(1,339,660)	(5,657,740)
Deferred Outflow - Payments Subsequent to the Measurement Date	174,044	160,182	13,917	75,596
Restated Net Position December 31, 2017	<u>\$6,231,842</u>	<u>\$245,935,774</u>	<u>\$32,994,170</u>	<u>\$120,132,040</u>
			<u>Fleet Maintenance Fund</u>	<u>Central Services Fund</u>
Net position December 31, 2017	\$74,169,865	\$28,644,555	(\$587,123)	(\$4,244,548)
Adjustments:				
OPEB Liability	(1,847,352)	(1,336,915)	(473,979)	(2,646,710)
Deferred Outflow - Payments Subsequent to the Measurement Date	21,372	15,193	5,336	34,104
Restated Net Position December 31, 2017	<u>\$72,343,885</u>	<u>\$27,322,833</u>	<u>(\$1,055,766)</u>	<u>(\$6,857,154)</u>

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

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CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Supplies Inventory	\$60,721	\$45,627	\$106,348
Prepaid Items	211,586	40,460	252,046
Permanent Fund Corpus	0	75,000	75,000
Total Nonspendable	272,307	161,087	433,394
Restricted:			
Public Health and Safety	0	467,446	467,446
County Court Computer Improvements	0	353,188	353,188
Dispute Resolution	0	29,615	29,615
Law Enforcement	0	726,874	726,874
Street Maintenance	0	650,841	650,841
Community Development and Improvement	0	267,849	267,849
Total Restricted	0	2,495,813	2,495,813
Committed:			
Stormwater Operations	0	1,236,803	1,236,803
Refuse Operations	0	2,307,686	2,307,686
Parking Operations	0	138,808	138,808
Golf Course Operations	0	209,940	209,940
Total Committed	0	3,893,237	3,893,237
Assigned:			
Debt Retirement	0	5,445	5,445
Capital Improvements	0	485,464	485,464
Services and Supplies	964,112	0	964,112
Worker's Compensation	2,770,935	0	2,770,935
Total Assigned	3,735,047	490,909	4,225,956
Unassigned (Deficits):	12,434,523	(2,900,490)	9,534,033
Total Fund Balances	\$16,441,877	\$4,140,556	\$20,582,433

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities – The following funds had deficit fund balance/net position amounts at December 31, 2018:

<u>Fund</u>	<u>Fund Balance/ Net Position Deficit</u>
<i>Nonmajor Governmental Funds</i>	
<i>Capital Projects Funds:</i>	
Hamilton Capital Improvement Fund	\$129,459
Special Assessment Fund	269,253
Municipal Improvement Tax Increment Equivalent (MITIE) Fund	2,501,778
<i>Internal Service Funds</i>	
Fleet Maintenance	\$1,278,311
Central Services	8,084,104

The deficits occurring in the Hamilton Capital Improvement Fund, Special Assessment Fund, and Municipal Improvement Tax Increment Equivalent (MITIE) Fund are due to interfund payables and notes payable reported in the funds. 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, 2018***

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, 2018**

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, 2018, \$13,221,613 of the City's bank balance of \$13,976,613 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, 2018 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	\$6,929,976	AA+ ¹	NA	7.86%	\$6,929,976	\$0	\$0
US Treasury Bills	5,318,044	AA+ ¹	Level 1	6.03%	5,318,044	0	0
Commercial Paper	2,498,641	A-1+ ¹	Level 2	2.83%	2,498,641	0	0
STAR Ohio ²	9,990,630	AAAm ¹	NA	11.33%	9,990,630	0	0
FNMA	18,778,149	AA+ ¹	Level 2	21.30%	12,286,522	6,491,627	0
FFCB	8,662,831	AA+ ¹	Level 2	9.83%	1,985,310	5,026,206	1,651,315
FHLB	10,263,983	AA+ ¹	Level 2	11.64%	4,337,306	4,384,195	1,542,482
FHLMC	13,466,761	AA+ ¹	Level 2	15.28%	5,957,945	7,508,816	0
US Treasury Notes	12,245,014	AA+ ¹	Level 1	13.90%	5,491,885	6,291,691	461,438
Total Investments	<u>\$88,154,029</u>			<u>100.00%</u>	<u>\$54,796,259</u>	<u>\$29,702,535</u>	<u>\$3,655,235</u>

¹ Standard & Poor's

² Reported at amortized cost

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, 2018***

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.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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 2018 were levied after October 1, 2017 on assessed values as of January 1, 2017, 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, 2018 was \$6.81 per \$1,000 of assessed value. The assessed value upon which the 2018 receipts were based was \$794,964,840. This amount constitutes \$789,655,500 in real property assessed value and \$5,309,340 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 2018.

<i>Enterprise Zone</i>	
Ansari Properties	\$2,803
Bethesda Hospital and Duke Realty	244,043
Concord Hamiltonian Riverfront	46,579
Interstate Warehousing	57,011
Livingston Tyler Products	4,569
M.A. Folkes Company	49,135
Matandy Steel & Metal Products	17,240
Neturen America Corporation	29,681
Synergy Flavors OH	22,683
United Performance Metals	7,247
Vinylmax, LLC	56,931
YAC Robot Systems	1,774
	<u>\$539,696</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, 2018**

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.

Below is the amount of taxes abated for the Job Creation and Tax Credit Program for the year ending December 31, 2018.

Tax Abatement Program	Total Amount of Taxes Abated For the year 2018
<i>Job Creation Income Tax Credit Influx Incorporated</i>	\$152,632
	\$152,632

NOTE 7 – RECEIVABLES

Receivables at December 31, 2018 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, 2018, 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, 2018 as follows:

Accounts Receivable As of December 31, 2018	Gas	Electric	Water	Wastewater	Total Business-Type Activities
Earned and unbilled consumer accounts	\$1,894,645	\$3,803,717	\$1,212,574	\$716,354	\$7,627,290
Earned and billed consumer accounts	3,934,208	8,105,564	1,320,443	2,014,761	15,374,976
Less allowance for uncollectible accounts	(2,362,448)	(4,712,048)	(775,036)	(1,195,611)	(9,045,143)
Other	0	524,900	25,821	4,196	554,917
Accounts Receivable	3,466,405	7,722,133	1,783,802	1,539,700	14,512,040
Accrued Interest Receivable	17,536	116,689	33,750	53,528	221,503
Total Receivables	\$3,483,941	\$7,838,822	\$1,817,552	\$1,593,228	\$14,733,543

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2018:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$3,630,000	\$3,023,200
Other Governmental Funds	10,372,163	10,978,963
Totals	\$14,002,163	\$14,002,163

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 2018 the General Fund and Municipal Improvement Tax Increment Equivalent Fund transferred \$804,931 and \$342,391, respectively, to the Infrastructure Program Fund for various infrastructure improvement projects. In addition, the General Fund transferred \$729,693 to the Capital Improvement Fund for various capital projects.

NOTE 9 – INTERFUND TRANSACTIONS

The composition of inter-fund balances as of December 31, 2018, is as follows:

	Interfund Receivable	Interfund Payable	Due from Other Funds	Due to Other Funds
General Fund	\$1,169,846	\$0	\$2,798	\$0
Other Governmental Funds	0	942,000	0	2,798
Central Services Fund	0	227,846	0	0
	\$1,169,846	\$1,169,846	\$2,798	\$2,798

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 and \$227,846 of the interfund activity relates to cash advances the General Fund made to the Special Assessment Fund, and Central Services Fund, respectively. The advances are expected to be returned within the next fiscal year.

An internal balance is reported between the Governmental Activities and Business-Type Activities as a result of these interfund balances.

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CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Capital assets not being depreciated:				
Land	\$20,309,897	\$0	(\$372,847)	\$19,937,050
Construction in Progress	30,928,415	3,577,423	(6,527,866)	27,977,972
Sub-Total	51,238,312	3,577,423	(6,900,713)	47,915,022
Capital assets being depreciated:				
Buildings and Improvements	44,100,105	1,906,454	0	46,006,559
Machinery and Equipment	29,172,430	1,356,855	(102,238)	30,427,047
Infrastructure	161,354,915	6,104,009	0	167,458,924
Total Cost	<u>\$285,865,762</u>	<u>\$12,944,741</u>	<u>(\$7,002,951)</u>	<u>\$291,807,552</u>

Accumulated Depreciation:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Buildings and Improvements	(\$19,637,949)	(\$1,093,478)	\$0	(\$20,731,427)
Machinery and Equipment	(22,255,756)	(1,087,985)	70,613	(23,273,128)
Infrastructure	(134,038,019)	(1,791,928)	0	(135,829,947)
Total Depreciation	<u>(\$175,931,724)</u>	<u>(\$3,973,391) *</u>	<u>\$70,613</u>	<u>(\$179,834,502)</u>
Net Value:	<u>\$109,934,038</u>			<u>\$111,973,050</u>

*Depreciation expenses were charged to governmental functions as follows:

General Government	\$670,252
Security of Persons and Property	589,891
Leisure Time Activities	362,126
Community Environment	3,221
Transportation	2,344,680
Public Health and Welfare Services	3,221
Total Depreciation Expense	<u>\$3,973,391</u>

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Capital assets not being depreciated:				
Land	\$7,883,794	\$25,000	\$0	\$7,908,794
Construction in Progress	29,571,842	10,118,234	(6,636,050)	33,054,026
Sub-Total	<u>37,455,636</u>	<u>10,143,234</u>	<u>(6,636,050)</u>	<u>40,962,820</u>
Capital assets being depreciated:				
Intangible Capital Assets	1,070,786	0	0	1,070,786
Buildings and Improvements	129,109,829	2,548,522	0	131,658,351
Machinery and Equipment	648,469,980	11,004,831	(1,470,320)	658,004,491
Total Cost	<u>\$816,106,231</u>	<u>\$23,696,587</u>	<u>(\$8,106,370)</u>	<u>\$831,696,448</u>

Accumulated Depreciation:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Intangible Capital Assets	(\$214,160)	(\$21,416)	\$0	(\$235,576)
Buildings and Improvements	(69,348,847)	(2,143,895)	0	(71,492,742)
Machinery and Equipment	(438,380,546)	(13,666,233)	1,248,975	(450,797,804)
Total Depreciation	<u>(\$507,943,553)</u>	<u>(\$15,831,544)</u>	<u>\$1,248,975</u>	<u>(\$522,526,122)</u>

Net Value:

Total Cost	<u>\$308,162,678</u>			<u>\$309,170,326</u>
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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 2018***

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):

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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:

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 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 \$3,664,135 for 2018. Of this amount, \$94,935 is reported as an intergovernmental payable.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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.

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

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$3,409,109 for 2018. Of this amount, \$89,844 is reported as an intergovernmental payable.

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$30,459,006	\$43,664,825	\$74,123,831
Proportion of the Net Pension Liability-2018	0.194154%	0.711449%	
Proportion of the Net Pension Liability-2017	<u>0.181112%</u>	<u>0.684675%</u>	
Percentage Change	<u>0.013042%</u>	<u>0.026774%</u>	
Pension Expense	\$6,676,188	\$5,004,845	\$11,681,033

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, 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	\$3,640,056	\$1,902,706	\$5,542,762
Differences between expected and actual experience	31,107	662,643	693,750
Change in proportionate share	1,365,766	1,288,472	2,654,238
City contributions subsequent to the measurement date	<u>3,664,135</u>	<u>3,409,109</u>	<u>7,073,244</u>
Total Deferred Outflows of Resources	<u><u>\$8,701,064</u></u>	<u><u>\$7,262,930</u></u>	<u><u>\$15,963,994</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$6,539,142	\$1,510,465	\$8,049,607
Differences between expected and actual experience	600,252	78,994	679,246
Change in proportionate share	<u>92,491</u>	<u>1,580,350</u>	<u>1,672,841</u>
Total Deferred Inflows of Resources	<u><u>\$7,231,885</u></u>	<u><u>\$3,169,809</u></u>	<u><u>\$10,401,694</u></u>

\$7,073,244 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$3,334,550	\$894,943	\$4,229,493
2020	37,013	497,826	534,839
2021	(2,879,495)	(1,066,656)	(3,946,151)
2022	(2,687,024)	(535,865)	(3,222,889)
2023	0	717,721	717,721
2024	<u>0</u>	<u>176,043</u>	<u>176,043</u>
Total	<u><u>(\$2,194,956)</u></u>	<u><u>\$684,012</u></u>	<u><u>(\$1,510,944)</u></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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

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

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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 2017 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	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. 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 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$54,087,431	\$30,459,006	\$10,760,017

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent for increases based on the lesser of the increase in CPI and 3%.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2017 are summarized below:

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

* levered 2x

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The 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.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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	\$60,530,897	\$43,664,825	\$29,909,000

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

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

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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.

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

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

The City's contractually required contribution to OP&F was \$80,637 for 2018. Of this amount, \$2,115 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, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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	\$21,330,123	\$40,309,693	\$61,639,816
Proportion of the Net OPEB Liability-2018	0.196423%	0.711449%	
Proportion of the Net OPEB Liability-2017	0.184216%	0.684675%	
Percentage Change	<u>0.012207%</u>	<u>0.026774%</u>	
OPEB Expense	\$2,165,380	\$3,313,827	\$5,479,207

At December 31, 2018, 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	\$1,553,062	\$3,933,369	\$5,486,431
Differences between expected and actual experience	16,616	0	16,616
Change in proportionate share	834,137	1,108,805	1,942,942
City contributions subsequent to the measurement date	<u>0</u>	<u>80,637</u>	<u>80,637</u>
Total Deferred Outflows of Resources	<u>\$2,403,815</u>	<u>\$5,122,811</u>	<u>\$7,526,626</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$1,588,952	\$265,336	\$1,854,288
Differences between expected and actual experience	<u>0</u>	<u>203,305</u>	<u>203,305</u>
Total Deferred Inflows of Resources	<u>\$1,588,952</u>	<u>\$468,641</u>	<u>\$2,057,593</u>

\$80,637 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 2019. 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:			
2019	\$752,031	\$641,104	\$1,393,135
2020	752,031	641,104	1,393,135
2021	(291,964)	641,104	349,140
2022	(397,235)	641,103	243,868
2023	0	707,438	707,438
2024	0	707,438	707,438
2025	<u>0</u>	<u>594,242</u>	<u>594,242</u>
Total	<u>\$814,863</u>	<u>\$4,573,533</u>	<u>\$5,388,396</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

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

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$28,337,987	\$21,330,123	\$15,660,828

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$20,408,379	\$21,330,123	\$22,282,257

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

CITY OF HAMILTON, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

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

Note: Assumptions are geometric.

* levered 2x

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, 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 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$50,387,601	\$40,309,693	\$32,555,184

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

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

	<u>1% Decrease</u>	<u>Current Rates</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$31,313,294	\$40,309,693	\$52,433,793

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2018*

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 \$83,898 for 2018.

At December 31, 2018 the number of active participants was 597 and the number of retirees was 632.

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, 2018**

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, 2018. Following is information related to changes in the Total OPEB liability:

	Changes in Total OPEB Liability
Total OPEB Liability 12/31/17	\$1,386,170
Service cost	15,498
Interest	47,062
Difference between expected and actual experience	19,734
Changes of assumptions	(57,311)
Benefit payments	(83,898)
Total OPEB Liability 12/31/18	\$1,327,255
Retiree Life Insurance Plan OPEB expense	(\$29,510)

At December 31, 2018, 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	\$0	\$44,850
Differences between expected and actual experience	15,445	0
Total	\$15,445	\$44,850

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:	
2019	(\$8,169)
2020	(8,169)
2021	(8,169)
2022	(4,898)
Total	(\$29,405)

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 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:

Single Discount Rate:		
Current measurement date		3.80 percent
Prior Measurement date		3.50 percent
Actuarial Cost Method		Entry Age Normal
Mortality Rates:		
Healthy	RP-2014 Total Mortality Table for annuitants and non-annuitants.	
Disabled	RP-2014 Total Mortality Table.	
Base Year Adjustment	2006 using Scale MP-2014.	
Future Projects	Generational projection from 2006 using Scale MP-2018.	

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

Discount Rate A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.50 percent was used to measure the total OPEB liability on the measurement date of December 31, 2017. 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 3.80 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 (2.80 percent) or one-percentage-point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB liability	\$1,493,755	\$1,327,255	\$1,189,637

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 13 – METROPOLITAN PENSION PLAN

Employees of the City who were not included under the Ohio Public Employees Retirement System “OPERS” prior to May 15, 1962 and who were included under a Group Annuity Contract of the Metropolitan Life Insurance Company participate in the City of Hamilton Metropolitan Pension Plan, a single-employer defined benefit pension plan.

Upon retirement, plan participants are entitled to a supplemental retirement benefit paid by the City, equal to the difference between OPERS benefits that would have been payable to such employee had the employee been covered by OPERS during the full period of employment and actual OPERS benefits received. Benefit provisions of the plan are established and may be amended by City Council through ordinance. All current participants in the Metropolitan Pension Plan are retired from service with the City.

The Metropolitan Pension Plan currently has no assets and the plan is not administered through a trust. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

The total pension liability was deemed not material to the City’s financial statements. As such, the Metropolitan Pension Plan liability is not reported in the financial statements.

NOTE 14 - 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, 2017	Issued	(Retired)	December 31, 2018
Capital Project Funds Notes Payable:				
3.24% Property Improvement	\$0	\$1,100,000	\$0	\$1,100,000
2.75% Various Purpose	0	4,880,000	0	4,880,000
Total Notes Payable	<u>\$0</u>	<u>\$5,980,000</u>	<u>\$0</u>	<u>\$5,980,000</u>

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 15 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2018 were as follows:

Issue Date	Interest Rate	Description	Maturity Date	Restated Balance			Balance December 31, 2018	Due Within One Year
				December 31, 2017	Additions	Reductions		
Governmental activities:								
Bonds payable:								
General Obligation Bonds:								
2009	2.5% - 4.50%	Various Purpose 2009 G O Bonds	2028	\$3,185,000	\$0	(\$565,000)	\$2,620,000	\$440,000
2018	2.6% - 4.00%	Various Purpose	2048	0	10,470,000	0	10,470,000	210,000
2018	3.50%	Property Improvement	2021	0	1,000,000	0	1,000,000	0
Total General Obligation Bonds				3,185,000	11,470,000	(565,000)	14,090,000	650,000
Income Tax Revenue Bonds:								
2017	3.00%	Various Purpose Refunding	2035	8,743,513	0	(377,523)	8,365,990	388,028
2017	3.00%	Various Purpose	2035	1,193,088	0	(190,228)	1,002,860	170,753
2017	2.39%	Various Purpose Refunding	2026	12,852,948	0	(1,306,460)	11,546,488	1,342,565
Total Income Tax Revenue Bonds				22,789,549	0	(1,874,211)	20,915,338	1,901,346
Special Assessment Bonds:								
2003	5.25%	Shaffer's Creek Sanitary Sewer	2022	70,000	0	(10,000)	60,000	10,000
1998	5.00%	Various Purpose Series 1998	2018	75,000	0	(75,000)	0	0
2000	5.74-5.8%	Various Purpose Series 2000	2020	75,000	0	(25,000)	50,000	25,000
2001	6.00%	Various Purpose Series 2001	2021	250,000	0	(55,000)	195,000	60,000
Total Special Assessment Bonds (with Governmental Commitment)				470,000	0	(165,000)	305,000	95,000
Issuance Discounts/Premiums				26,639	(54,187)	(5,079)	(32,627)	0
Total Bonds Payable				26,471,188	11,415,813	(2,609,290)	35,277,711	2,646,346
Ohio Water Development Authority Loan Payable:								
2016	2.13%	South Hamilton Road Storm Water	2049	3,019,894	266,705	0	3,286,599	0
Net Pension Liability:								
Ohio Public Employees Retirement System				15,453,392	0	(4,179,239)	11,274,153	0
Ohio Police and Fire Pension Fund				43,366,613	298,212	0	43,664,825	0
Total Net Pension Liability				58,820,005	298,212	(4,179,239)	54,938,978	0
Net OPEB Liability:								
Ohio Public Employees Retirement System				6,887,036	1,008,135	0	7,895,171	0
Ohio Police and Fire Pension Fund				32,499,962	7,809,731	0	40,309,693	0
Total Net OPEB Liability				39,386,998	8,817,866	0	48,204,864	0
Total OPEB Liability:								
City of Hamilton Retiree Life Insurance				277,234	0	(11,783)	265,451	0
Worker's Compensation Retrospective Liability				17,303	0	(17,303)	0	0
Compensated absences				4,892,515	2,134,527	(2,044,313)	4,982,729	2,134,215
Governmental Activities Long-term liabilities				\$132,885,137	\$22,933,123	(\$8,861,928)	\$146,956,332	\$4,780,561

The principal amount of the City's special assessment bonds outstanding was \$305,000. 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, 2018**

NOTE 15 - 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 \$107,625,000 at December 31, 2018.

Issue Date	Interest Rate	Description	Maturity Date	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Business-type activities:								
Mortgage Revenue Bonds:								
2017	2.23%	Gas Refunding	2027	\$5,770,000	\$0	(\$525,000)	\$5,245,000	\$530,000
2018	3.80%	Gas Improvements	2038	0	1,720,000	0	1,720,000	55,000
2009	2.5% - 5.0%	Electric series A	2019	1,810,000	0	(890,000)	920,000	920,000
2009	6.5% - 6.6%	Electric series B	2039	14,520,000	0	0	14,520,000	0
2018	3.0% - 5.0%	Electric Refunding	2030	0	12,980,000	(400,000)	12,580,000	0
2009	2.5% - 4.63%	Water series A	2029	905,000	0	(445,000)	460,000	460,000
2009	6.62%	Water series B	2039	8,915,000	0	0	8,915,000	0
2015	2.0% - 5.0%	Water Refunding	2044	11,180,000	0	(290,000)	10,890,000	300,000
2018	4.00%	Water Refunding	2029	0	5,625,000	0	5,625,000	0
2018	3.0% - 4.0%	Water Improvements	2048	0	2,965,000	0	2,965,000	55,000
2009	6.11% - 6.62%	Wastewater series B	2039	11,465,000	0	(295,000)	11,170,000	305,000
2016	1.75% - 5.0%	Wastewater Refunding	2026	8,715,000	0	(815,000)	7,900,000	840,000
2018	2.0% - 5.0%	Wastewater Refunding	2041	0	25,325,000	(610,000)	24,715,000	715,000
				63,280,000	48,615,000	(4,270,000)	107,625,000	4,180,000
		Issuance Discounts/Premiums		1,983,274	2,208,496	(458,263)	3,733,507	0
		Total Mortgage Revenue Bonds		65,263,274	50,823,496	(4,728,263)	111,358,507	4,180,000
General Obligation Bonds:								
2018	2.6% - 4.0%	Wastewater Improvements	2038	0	555,000	0	555,000	20,000
Long Term Notes Payable:								
2017	2.50%	Electric Refunding	2018	13,795,000	0	(13,795,000)	0	0
2017	2.50%	Water Refunding	2018	5,980,000	0	(5,980,000)	0	0
2017	2.50%	Wastewater Refunding	2018	25,445,000	0	(25,445,000)	0	0
		Total Long Term Notes Payable		45,220,000	0	(45,220,000)	0	0
Ohio Water Development Authority Loans:								
2010	3.25%	Sanitary Sewer Improvements	2030	311,111	0	(19,580)	291,531	20,221
2016	1.33%	River Road Water Main	2037	932,810	0	(46,712)	886,098	35,938
2018	2.22%	Sanitary Sewer Improvements	2049	0	690,409	0	690,409	0
		Total Ohio Water Development Authority Loans		1,243,921	690,409	(66,292)	1,868,038	56,159
Ohio Public Works Commission Loans:								
2016	0.00%	Gilmore Road Pump Station I	2048	3,234,961	0	0	3,234,961	107,832
2016	0.00%	Pershing Avenue Water Main	2047	749,941	0	(24,998)	724,943	24,998
2017	0.00%	State Route 4 Water Main	2048	304,756	124,769	0	429,525	14,318
2017	0.00%	Arlington Avenue Water Main	2048	394,813	161,672	0	556,485	0
2017	0.00%	Gilmore Road Pump Station II	2048	283,060	125,502	0	408,562	13,619
2018	0.00%	Southern Hills Water Main	2048	0	1,787,761	0	1,787,761	0
		Total Ohio Public Works Commission Loans		4,967,531	2,199,704	(24,998)	7,142,237	160,767
Net Pension Liability:								
		Ohio Public Employees Retirement System		25,673,951	0	(6,489,098)	19,184,853	0
Net OPEB Liability:								
		Ohio Public Employees Retirement System		11,719,441	1,715,511	0	13,434,952	0
Total OPEB Liability:								
		City of Hamilton Retiree Life Insurance		1,108,936	0	(47,132)	1,061,804	0
Compensated absences								
				2,603,144	1,608,846	(1,298,963)	2,913,027	1,513,164
		Business-type activity Long-term liabilities		\$157,800,198	\$57,592,966	(\$57,874,746)	\$157,518,418	\$5,930,090

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 15 - 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. Various Purpose Bond Issuances

In 2018 the City issued \$11,025,000 of various purpose General Obligation Bonds. \$10,470,000 was issued for street improvements, parking improvements, and improvements at the South Hamilton Crossing project. \$555,000 of the proceeds are for wastewater line improvements. In addition, the City issued \$1,000,000 of General Obligation Bonds for improvements to Main Street.

B. Mortgage Revenue Bond Issuance

In 2018 the City issued \$48,615,000 of Mortgage Revenue Bonds. \$43,930,000 of the bonds were used to refund notes previously issued in the Electric, Water, and Wastewater Funds, as described below. \$1,720,000 of the bonds were issued for Gas system improvements, and \$2,965,000 were issued to fund Water system improvements.

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 \$3,720,000 at December 31, 2018 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 15 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

C. Defeasance of Debt (Continued)

In April 2018 the City defeased \$13,795,000 of Electric Various Purpose General Obligation Notes, \$5,980,000 of Water Various Purpose General Obligation Notes, and \$25,445,000 of Wastewater Various Purpose General Obligation Notes through the issuance of \$12,980,000 of Electric Mortgage Revenue Bonds, \$5,625,000 of Water Mortgage Revenue Bonds, and \$25,325,000 of Wastewater Mortgage Revenue Bonds. The net proceeds of the 2018 Bonds have been used to currently refund the 2018 notes. The General Obligation Various purpose notes had been issued in 2017 to refund outstanding Mortgage Revenue Bonds. The 2017 Mortgage Revenue Bond refunding, and subsequent refinancing of the refunding notes in 2018 reduced the City's debt service payments over the life of the refunded bonds and notes by \$802,095, \$225,611, and \$4,922,195, in the Electric, Water, and Wastewater Funds, respectively. The City obtained an economic gain (difference between the present values of the old and new debt service payments) of \$727,702, \$193,049, and \$3,441,741, in the Electric, Water, and Wastewater Funds, respectively.

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 \$10,875,000 at December 31, 2018 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

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CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 15 - 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, 2018 follows:

GOVERNMENTAL ACTIVITIES									
Years	General Obligation Bonds			Special Assessment Bonds			Income Tax Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$650,000	\$519,977	\$1,169,977	\$95,000	\$17,750	\$112,750	\$1,901,346	\$534,730	\$2,436,076
2020	680,000	495,077	1,175,077	100,000	12,175	112,175	1,950,991	485,290	2,436,281
2021	1,710,000	463,277	2,173,277	80,000	6,300	86,300	2,001,785	434,543	2,436,328
2022	505,000	395,077	900,077	30,000	2,363	32,363	2,066,675	382,474	2,449,149
2023	530,000	377,277	907,277	0	0	0	2,104,008	332,069	2,436,077
2024-2028	2,050,000	1,638,062	3,688,062	0	0	0	6,900,592	955,674	7,856,266
2029-2033	1,540,000	1,357,440	2,897,440	0	0	0	2,837,512	394,499	3,232,011
2034-2038	2,395,000	1,029,800	3,424,800	0	0	0	1,152,429	33,429	1,185,858
2039-2043	1,820,000	628,380	2,448,380	0	0	0	0	0	0
2044-2048	2,210,000	254,437	2,464,437	0	0	0	0	0	0
Totals	\$14,090,000	\$7,158,804	\$21,248,804	\$305,000	\$38,588	\$343,588	\$20,915,338	\$3,552,708	\$24,468,046

BUSINESS-TYPE ACTIVITIES									
Years	Revenue Bonds			General Obligation Bonds			OWDA/OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2019	\$4,180,000	\$5,099,070	\$9,279,070	\$20,000	\$18,517	\$38,517	\$216,926	\$32,134	\$249,060
2020	4,255,000	4,965,816	9,220,816	20,000	17,717	37,717	223,843	30,275	254,118
2021	4,420,000	4,795,136	9,215,136	20,000	16,917	36,917	224,999	28,367	253,366
2022	4,565,000	4,623,357	9,188,357	25,000	16,117	41,117	226,275	26,408	252,683
2023	4,755,000	4,429,413	9,184,413	25,000	15,367	40,367	227,582	24,398	251,980
2024-2028	23,680,000	19,083,256	42,763,256	125,000	65,687	190,687	1,158,458	89,897	1,248,355
2029-2033	14,565,000	14,747,571	29,312,571	150,000	46,067	196,067	1,104,181	35,718	1,139,899
2034-2038	19,390,000	10,386,007	29,776,007	170,000	18,850	188,850	1,010,682	10,506	1,021,188
2039-2043	26,450,000	2,284,680	28,734,680	0	0	0	803,831	0	803,831
2044-2048	1,365,000	110,325	1,475,325	0	0	0	778,843	0	778,843
Totals	\$107,625,000	\$70,524,631	\$178,149,631	\$555,000	\$215,239	\$770,239	\$5,975,620	\$277,703	\$6,253,323

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 15 - 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, 2018, there were four series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$16,201,977.

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, 2018, the City had received \$3,286,599 from OWDA. Subsequent amounts will be received in future years. As of December 31, 2018 the loan has not been finalized and there is no amortization schedule for the loan.

River Road Water Main - 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 a water main replacement at River Road. The interest rate on the loan is 1.33%, per annum. As of December 31, 2018, the outstanding balance of the loan is \$886,098.

Sanitary Sewer Improvements - In 2010 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 sanitary sewer improvements in the amount of \$431,837. The interest rate on the loan is 3.25%, per annum. This loan is payable from wastewater utility charges. As of December 31, 2018, the outstanding balance of the loan is \$291,531.

Sanitary Sewer Improvements - In 2018 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 sanitary sewer improvements. The interest rate on the loan is 2.22%, per annum. This loan is payable from wastewater utility charges and is received by the City in increments as the project is completed. As of December 31, 2018, the City had received \$690,409 from OWDA. Subsequent amounts will be received in future years. As of December 31, 2018 the loan has not been finalized and there is no amortization schedule for the loan. As of December 31, 2018, the outstanding balance of the loan is \$690,409.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 15 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

G. Ohio Public Works Commission Loans

Pump Station - In 2016 the City obtained financing through the Ohio Public Works Commission for the Gilmore Road Pump Station (Phases I and II) at an interest rate of 0%. As of December 31, 2018, the outstanding balance of the loan is \$3,643,523.

Water Main Replacement - In 2016 the City obtained financing through the Ohio Public Works Commission for a water main replacement at Pershing Avenue at an interest rate of 0%. This loan is payable from water utility charges. As of December 31, 2018, the outstanding balance of the loan is \$724,943.

Water Main Replacement - In 2017 the City obtained financing through the Ohio Public Works Commission for a water main replacement at State Route 4 at an interest rate of 0%. As of December 31, 2018, the outstanding balance of the loan is \$429,525.

Water Main Replacement - In 2016 the City obtained financing through the Ohio Public Works Commission for a water main replacement at Arlington Avenue at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2018, the City had received \$556,485 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2018, the loan has not been finalized and there is no amortization schedule for the loan.

Water Main Replacement - In 2018 the City obtained financing through the Ohio Public Works Commission for a water main replacement at Southern Hills at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2018, the City had received \$1,787,761 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2018, 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 2018 the Gas Fund reported \$1,730,326 of net pledged revenues for coverage of a principal and interest debt service requirement of \$653,671.

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 2019, 2030, and 2039. In 2018 the Electric Fund reported \$4,748,513 of net pledged revenues for coverage of a principal and interest debt service requirement of \$2,549,893.

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, and 2048. In 2018 the Water Fund reported \$3,762,742 of net pledged revenues for coverage of a principal and interest debt service requirement of \$1,964,902.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 15 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

H. Pledged Revenue Coverage (Continued)

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 2018 the Wastewater Fund reported \$5,015,722 of net pledged revenues for coverage of a principal and interest debt service requirement of \$3,334,502.

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, 2018**

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 2018. Settled claims did not exceed this commercial coverage in any of the past three years.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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 \$396,837 reported in the General Fund at December 31, 2018 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 2017 and 2018 was as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2017	\$363,861	\$6,423,349	(\$6,304,887)	\$482,323
2018	482,323	5,762,626	(5,848,112)	396,837

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, 2018***

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 2018 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 \$2,343 reported in the General Fund at December 31, 2018 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:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2017	\$106,195	\$41,713	(\$130,605)	\$17,303
2018	17,303	2,343	(17,303)	2,343

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CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 17 – SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2018, 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, 2018:

<u>Vendor</u>	<u>Contractual Commitment</u>
Community Improvement Corporation of Hamilton	\$1,000,000
Ford Development Corporation	742,629
Miami Valley Construction	488,803
C A Advanced Incorporated	373,920
Rack & Ballauer Excavating	326,072
JNT Excavating LLC	255,219
Chemco Systems LP	187,215
N Harris Computer Corporation	187,076
Sunesis Construction Company	175,212
Municipal Energy Services Agency	158,299
C A Advanced Incorporated	145,683
Strand Associates Incorporated	137,082
Sunesis	122,340
SSOE Incorporated	112,937
Fishbeck Thompson Carr & Huber Incorporated	109,211
Layne Christensen Company	108,027
Mesa Associates Incorporated	102,741
SSOE Incorporated	102,477
Stantec	101,683
GE Renewable Energy Canada, Incorporated	91,388
Great Lakes Construction Co	87,000
Northwest Consultants	79,217
	<u><u>\$5,194,231</u></u>

B. Encumbrance Commitments

At December 31, 2018 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$1,676,129
Other Governmental Funds	1,713,142
Total Governmental Funds	<u><u>\$3,389,271</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 2018 to December 31, 2018, 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.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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 2018, the City's distribution of tax collections for the Hamilton-Indian Springs Joint Economic Development District totaled \$600,952.

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, 2018***

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 following amount was expended in 2018 by the Electric Fund and recorded within the Purchase of Electric expense account to the OMEGA JV2:

Payments – OMEGA JV2	<u>\$1,029,568</u>
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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, 2018***

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, 2018***

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 20 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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. 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 2018, the Electric Fund purchased \$86,430 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 \$971,234 and \$638,793 respectively, during 2018. These amounts are recorded in the Water and Wastewater Funds as contractual services and as charges for services in the Electric Fund.

Historically and by ordinance, the City's 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 \$287,690 for the year ending December 31, 2018. 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 \$233,926 for the year ending December 31, 2018.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 21 – ENTERPRISE INTERFUND REVENUES AND ADMINISTRATIVE CHARGES
(Continued)

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 2018.

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>
Administrative cost (General Fund)	\$1,215,043	\$1,309,825	\$1,188,713	\$990,515
Central Services Fund	2,482,657	2,434,971	1,596,309	1,528,807
Fleet Maintenance Fund	<u>233,198</u>	<u>233,198</u>	<u>233,198</u>	<u>0</u>
Total	<u><u>\$3,930,898</u></u>	<u><u>\$3,977,994</u></u>	<u><u>\$3,018,220</u></u>	<u><u>\$2,519,322</u></u>

NOTE 22 – SUBSEQUENT EVENTS

In March 2019 the City sold the Hamilton Government Building to the Hamilton Community Authority. The City entered a 30-year lease agreement with the Hamilton Community Authority for continued use of the building. The City maintains responsibility for upkeep and maintenance.

The City used the sale proceeds to immediately retire the building portion of the Series 2017 US Bank Placement Refinancing Bonds, and the First Financial Property Improvement note. The remaining proceeds were deposited into the Governmental Building Sale Proceeds capital projects fund.

REQUIRED SUPPLEMENTAL INFORMATION



CITY OF HAMILTON, OHIO

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

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017	2018
City's proportion of the net pension liability	0.195707%	0.195707%	0.180651%	0.181112%	0.194154%
City's proportionate share of the net pension liability	\$23,071,305	\$23,604,447	\$31,291,101	\$41,127,343	\$30,459,006
City's covered payroll	\$24,119,685	\$24,075,983	\$22,863,367	\$23,579,133	\$25,659,746
City's proportionate share of the net pension liability as a percentage of its covered payroll	95.65%	98.04%	136.86%	174.42%	118.70%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.66%

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

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017	2018
City's proportion of the net pension liability	0.738902%	0.738902%	0.702774%	0.684675%	0.711449%
City's proportionate share of the net pension liability	\$35,986,826	\$38,278,184	\$45,209,938	\$43,366,613	\$43,664,825
City's covered payroll	\$14,795,978	\$14,571,091	\$14,408,748	\$14,718,583	\$15,525,792
City's proportionate share of the net pension liability as a percentage of its covered payroll	243.22%	262.70%	313.77%	294.64%	281.24%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%	70.91%

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.

CITY OF HAMILTON, OHIO

***Schedule of City Pension Contributions - Cost Sharing Plans
Last Six 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.

CITY OF HAMILTON, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$2,829,496	\$3,335,767	\$3,664,135
Contributions in relation to the contractually required contribution	<u>2,829,496</u>	<u>3,335,767</u>	<u>3,664,135</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393
Contributions as a percentage of covered payroll	12.00%	13.00%	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>
Contractually required contribution	\$3,127,255	\$3,291,033	\$3,409,109
Contributions in relation to the contractually required contribution	<u>3,127,255</u>	<u>3,291,033</u>	<u>3,409,109</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372
Contributions as a percentage of covered payroll	21.25%	21.20%	21.14%



CITY OF HAMILTON, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.184216%	0.196423%
City's proportionate share of the net OPEB liability (asset)	\$18,606,477	\$21,330,123
City's covered payroll	\$23,579,133	\$25,659,746
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	78.91%	83.13%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%

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>
City's proportion of the net OPEB liability (asset)	0.684675%	0.711449%
City's proportionate share of the net OPEB liability (asset)	\$32,499,962	\$40,309,693
City's covered payroll	\$14,718,583	\$15,525,792
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	220.81%	259.63%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%

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.

CITY OF HAMILTON, OHIO

Schedule of City's Other Postemployment Benefit (OPEB) Contributions-Cost Sharing Plans Last Six 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.

CITY OF HAMILTON, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$471,583	\$256,597	\$0
Contributions in relation to the contractually required contribution	<u>471,583</u>	<u>256,597</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393
Contributions as a percentage of covered payroll	2.00%	1.00%	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>
Contractually required contribution	\$73,593	\$77,629	\$80,637
Contributions in relation to the contractually required contribution	<u>73,593</u>	<u>77,629</u>	<u>80,637</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%

CITY OF HAMILTON, OHIO

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

Retiree Life Insurance Plan

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

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.

CITY OF HAMILTON, OHIO

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

Retiree Life Insurance Plan

Year	<u>2018</u>
Total OPEB Liability 12/31/17	\$1,386,170
Service cost	15,498
Interest	47,062
Difference between expected and actual experience	19,734
Changes of assumptions	(57,311)
Benefit payments	<u>(83,898)</u>
Total OPEB Liability 12/31/18	<u><u>\$1,327,255</u></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.

***Notes to the Required Supplemental Information
For the Year Ended December 31, 2018***

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 2014-2018.

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%-10.05% to 3.25%-10.75%

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

Changes in assumptions:

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

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from a range of 4.25%-11.00% to 3.75%-10.50%
- 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%

***Notes to the Required Supplemental Information
For the Year Ended December 31, 2018***

NET OPEB LIABILITY – COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

TOTAL OPEB LIABILITY – SINGLE EMPLOYER PLAN

RETIREE LIFE INSURANCE PLAN

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

Changes in assumptions: For 2018, the single discount rate changed from 3.50% 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.

*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.)

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.

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.

Public Health Care Services Fund

To account for funds restricted for public health care services.

(Continued)

Special Revenue Funds

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.

Debt Service Fund

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies when the government is obligated in some manner for payment.

Debt Service Fund

To account for resources that are used for payment of principal, interest and fiscal charges on general obligation debt.

(Continued)

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.

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.)

Clean Ohio Grants Program Fund

To account for monies received from the Ohio Department of Development for the clean up and remediation of the site of the former Mosler Company at 1400 South Erie Highway. (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, 2018**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$ 5,414,141	\$ 5,445	\$ 5,166,285	\$ 75,330	\$ 10,661,201
Receivables:					
Taxes	3,651,794	0	1,843,709	0	5,495,503
Accounts	901,219	0	0	0	901,219
Intergovernmental	1,563,301	0	0	0	1,563,301
Interest	7,192	0	0	0	7,192
Special Assessments	0	0	290,707	0	290,707
Loans	173,506	0	100,000	0	273,506
Inventory of Supplies, at Cost	45,627	0	0	0	45,627
Prepaid Items	40,460	0	0	0	40,460
Total Assets	\$ 11,797,240	\$ 5,445	\$ 7,400,701	\$ 75,330	\$ 19,278,716
Liabilities:					
Accounts Payable	\$ 569,544	\$ 0	\$ 892,502	\$ 330	\$ 1,462,376
Accrued Wages and Benefits Payable	59,738	0	0	0	59,738
Intergovernmental Payable	8,251	0	0	0	8,251
Accrued Liabilities	61,995	0	49,596	0	111,591
Customer Deposits	7,690	0	0	0	7,690
Due to Other Funds	2,798	0	0	0	2,798
Interfund Payable	0	0	942,000	0	942,000
Unearned Revenue	4,000	0	0	0	4,000
Accrued Interest Payable	0	0	47,852	0	47,852
General Obligation Notes Payable	0	0	5,980,000	0	5,980,000
Total Liabilities	714,016	0	7,911,950	330	8,626,296
Deferred Inflows of Resources:					
Unavailable Amounts	2,216,835	0	858,579	0	3,075,414
Property Tax Levy for Next Fiscal Year	2,391,252	0	1,045,198	0	3,436,450
Total Deferred Inflows of Resources	4,608,087	0	1,903,777	0	6,511,864
Fund Balance:					
Nonspendable	86,087	0	0	75,000	161,087
Restricted	2,495,813	0	0	0	2,495,813
Committed	3,893,237	0	0	0	3,893,237
Assigned	0	5,445	485,464	0	490,909
Unassigned	0	0	(2,900,490)	0	(2,900,490)
Total Fund Balance	6,475,137	5,445	(2,415,026)	75,000	4,140,556
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 11,797,240	\$ 5,445	\$ 7,400,701	\$ 75,330	\$ 19,278,716

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018***

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Income Taxes	\$ 3,365,643	\$ 0	\$ 2,692,429	\$ 0	\$ 6,058,072
Property and Other Local Taxes	2,391,252	0	1,045,196	0	3,436,448
Intergovernmental Revenues	3,884,373	0	2,902,984	0	6,787,357
Charges for Services	8,200,935	0	0	0	8,200,935
Licenses and Permits	391,791	0	0	0	391,791
Investment Earnings	51,893	0	3,080	1,009	55,982
Special Assessments	0	0	613,095	0	613,095
Fines and Forfeitures	326,520	0	0	0	326,520
All Other Revenue	246,602	0	41,286	0	287,888
Total Revenues	18,859,009	0	7,298,070	1,009	26,158,088
Expenditures:					
Current:					
General Government	4,509	0	0	1,428	5,937
Security of Persons and Property	6,928,980	0	0	0	6,928,980
Leisure Time Activities	1,168,329	0	0	0	1,168,329
Community Environment	1,510,813	0	0	0	1,510,813
Basic Utility Services	6,867,866	0	0	0	6,867,866
Transportation	3,365,740	0	0	0	3,365,740
Public Health and Welfare Services	18,314	0	0	0	18,314
Capital Outlay	0	0	10,094,186	0	10,094,186
Debt Service:					
Principal Retirement	42,527	2,561,684	0	0	2,604,211
Interest and Fiscal Charges	25,082	1,188,813	82,663	0	1,296,558
Total Expenditures	19,932,160	3,750,497	10,176,849	1,428	33,860,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,073,151)	(3,750,497)	(2,878,779)	(419)	(7,702,846)
Other Financing Sources (Uses):					
Sale of Capital Assets	22,813	0	725,174	0	747,987
Bond Issuance	0	8,720,000	250,000	0	8,970,000
OWDA Loans Issued	266,705	0	0	0	266,705
Premium on General Obligation Bonds Issued	0	242	0	0	242
Discount on General Obligation Bonds Issued	0	(52,615)	(1,814)	0	(54,429)
Transfers In	132,609	3,533,060	6,706,494	0	10,372,163
Transfers Out	0	(8,450,000)	(2,528,963)	0	(10,978,963)
Total Other Financing Sources (Uses)	422,127	3,750,687	5,150,891	0	9,323,705
Net Change in Fund Balance	(651,024)	190	2,272,112	(419)	1,620,859
Fund Balance at Beginning of Year	7,132,164	5,255	(4,687,138)	75,419	2,525,700
Decrease in Inventory	(6,003)	0	0	0	(6,003)
Fund Balance End of Year	\$ 6,475,137	\$ 5,445	\$ (2,415,026)	\$ 75,000	\$ 4,140,556

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018**

	Municipal Court Improvement	Public Safety/Health Income Tax	Dispute Resolution Proceeds	Safety Services
Assets:				
Equity in Pooled Cash and Investments	\$ 372,336	\$ 172,918	\$ 29,615	\$ 673,249
Receivables:				
Taxes	0	682,093	0	866,907
Accounts	0	0	0	0
Intergovernmental	0	0	0	49,251
Interest	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	<u>\$ 372,336</u>	<u>\$ 855,011</u>	<u>\$ 29,615</u>	<u>\$ 1,589,407</u>
Liabilities:				
Accounts Payable	\$ 19,148	\$ 0	\$ 0	\$ 4,007
Accrued Wages and Benefits Payable	0	0	0	3,913
Intergovernmental Payable	0	0	0	541
Accrued Liabilities	0	61,995	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	0
Total Liabilities	<u>19,148</u>	<u>61,995</u>	<u>0</u>	<u>8,461</u>
Deferred Inflows of Resources:				
Unavailable Amounts	0	393,795	0	218,110
Property Tax Levy for Next Fiscal Year	0	0	0	698,048
Total Deferred Inflows of Resources	<u>0</u>	<u>393,795</u>	<u>0</u>	<u>916,158</u>
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	353,188	399,221	29,615	664,788
Committed	0	0	0	0
Total Fund Balance	<u>353,188</u>	<u>399,221</u>	<u>29,615</u>	<u>664,788</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 372,336</u>	<u>\$ 855,011</u>	<u>\$ 29,615</u>	<u>\$ 1,589,407</u>

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018**

	Police Pension	Police Levy	Firemen's Pension	Fire EMS Levy
Assets:				
Equity in Pooled Cash and Investments	\$ 18,316	\$ 43,770	\$ 14,740	\$ 43,769
Receivables:				
Taxes	260,072	791,325	260,072	791,325
Accounts	0	0	0	0
Intergovernmental	18,351	43,874	14,775	43,874
Interest	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	\$ 296,739	\$ 878,969	\$ 289,587	\$ 878,968
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Intergovernmental Payable	0	0	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	0	0	0	0
Deferred Inflows of Resources:				
Unavailable Amounts	69,009	198,011	65,433	198,011
Property Tax Levy for Next Fiscal Year	209,414	637,188	209,414	637,188
Total Deferred Inflows of Resources	278,423	835,199	274,847	835,199
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	18,316	43,770	14,740	43,769
Committed	0	0	0	0
Total Fund Balance	18,316	43,770	14,740	43,769
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 296,739	\$ 878,969	\$ 289,587	\$ 878,968

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018**

	Public Health Care Services	Stormwater Management	Refuse	Street Maintenance
Assets:				
Equity in Pooled Cash and Investments	\$ 10,603	\$ 1,047,032	\$ 1,729,762	\$ 604,562
Receivables:				
Taxes	0	0	0	0
Accounts	0	256,361	607,905	7,662
Intergovernmental	752	0	0	977,837
Interest	0	3,709	0	2,142
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	41,423
Prepaid Items	0	0	6,938	21,563
Total Assets	<u>\$ 11,355</u>	<u>\$ 1,307,102</u>	<u>\$ 2,344,605</u>	<u>\$ 1,655,189</u>
Liabilities:				
Accounts Payable	\$ 1,639	\$ 57,647	\$ 14,226	\$ 304,543
Accrued Wages and Benefits Payable	0	11,117	13,844	21,207
Intergovernmental Payable	0	1,535	1,911	2,929
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	<u>1,639</u>	<u>70,299</u>	<u>29,981</u>	<u>328,679</u>
Deferred Inflows of Resources:				
Unavailable Amounts	0	0	0	612,683
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>612,683</u>
Fund Balance:				
Nonspendable	0	0	6,938	62,986
Restricted	9,716	0	0	650,841
Committed	0	1,236,803	2,307,686	0
Total Fund Balance	<u>9,716</u>	<u>1,236,803</u>	<u>2,314,624</u>	<u>713,827</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 11,355</u>	<u>\$ 1,307,102</u>	<u>\$ 2,344,605</u>	<u>\$ 1,655,189</u>

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018**

	Land Reutilization	Home Program	Parking	Golf Course
Assets:				
Equity in Pooled Cash and Investments	\$ 31,209	\$ 127,427	\$ 148,371	\$ 230,181
Receivables:				
Taxes	0	0	0	0
Accounts	0	0	29,291	0
Intergovernmental	258,986	5,800	0	0
Interest	0	0	526	815
Loans	0	28,805	0	0
Inventory of Supplies, at Cost	0	0	0	4,204
Prepaid Items	0	0	9,000	2,959
Total Assets	<u>\$ 290,195</u>	<u>\$ 162,032</u>	<u>\$ 187,188</u>	<u>\$ 238,159</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 5,800	\$ 663	\$ 12,070
Accrued Wages and Benefits Payable	787	142	1,525	4,381
Intergovernmental Payable	109	20	211	605
Accrued Liabilities	0	0	0	0
Customer Deposits	0	0	7,690	0
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	0	4,000
Total Liabilities	<u>896</u>	<u>5,962</u>	<u>10,089</u>	<u>21,056</u>
Deferred Inflows of Resources:				
Unavailable Amounts	258,986	28,805	29,291	0
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	<u>258,986</u>	<u>28,805</u>	<u>29,291</u>	<u>0</u>
Fund Balance:				
Nonspendable	0	0	9,000	7,163
Restricted	30,313	127,265	0	0
Committed	0	0	138,808	209,940
Total Fund Balance	<u>30,313</u>	<u>127,265</u>	<u>147,808</u>	<u>217,103</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 290,195</u>	<u>\$ 162,032</u>	<u>\$ 187,188</u>	<u>\$ 238,159</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018***

	Community Development Block Grant	Total Nonmajor Special Revenue Funds
Assets:		
Equity in Pooled Cash and Investments	\$ 116,281	\$ 5,414,141
Receivables:		
Taxes	0	3,651,794
Accounts	0	901,219
Intergovernmental	149,801	1,563,301
Interest	0	7,192
Loans	144,701	173,506
Inventory of Supplies, at Cost	0	45,627
Prepaid Items	0	40,460
Total Assets	<u>\$ 410,783</u>	<u>\$ 11,797,240</u>
Liabilities:		
Accounts Payable	\$ 149,801	\$ 569,544
Accrued Wages and Benefits Payable	2,822	59,738
Intergovernmental Payable	390	8,251
Accrued Liabilities	0	61,995
Customer Deposits	0	7,690
Due to Other Funds	2,798	2,798
Unearned Revenue	0	4,000
Total Liabilities	<u>155,811</u>	<u>714,016</u>
Deferred Inflows of Resources:		
Unavailable Amounts	144,701	2,216,835
Property Tax Levy for Next Fiscal Year	0	2,391,252
Total Deferred Inflows of Resources	<u>144,701</u>	<u>4,608,087</u>
Fund Balance:		
Nonspendable	0	86,087
Restricted	110,271	2,495,813
Committed	0	3,893,237
Total Fund Balance	<u>110,271</u>	<u>6,475,137</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 410,783</u>	<u>\$ 11,797,240</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

	Municipal Court Improvement	Public Safety/Health Income Tax	Dispute Resolution Proceeds	Safety Services
Revenues:				
Income Taxes	\$ 0	\$ 3,365,643	\$ 0	\$ 0
Property and Other Local Taxes	0	0	0	698,048
Intergovernmental Revenues	0	0	0	98,609
Charges for Services	108,414	0	9,033	26,121
Licenses and Permits	0	0	0	0
Investment Earnings	923	137	61	2,525
Fines and Forfeitures	84,009	0	0	242,511
All Other Revenue	0	0	0	75,983
Total Revenues	193,346	3,365,780	9,094	1,143,797
Expenditures:				
Current:				
General Government	0	0	4,509	0
Security of Persons and Property	168,644	3,289,000	0	1,192,227
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
Public Health and Welfare Services	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	168,644	3,289,000	4,509	1,192,227
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,702	76,780	4,585	(48,430)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	22,813
OWDA Loans Issued	0	0	0	0
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	22,813
Net Change in Fund Balance	24,702	76,780	4,585	(25,617)
Fund Balance at Beginning of Year	328,486	322,441	25,030	690,405
Decrease in Inventory	0	0	0	0
Fund Balance End of Year	\$ 353,188	\$ 399,221	\$ 29,615	\$ 664,788

(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, 2018***

	Police Pension	Police Levy	Firemen's Pension	Fire EMS Levy
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	209,414	637,188	209,414	637,188
Intergovernmental Revenues	36,754	87,844	29,583	87,844
Charges for Services	0	0	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	254	884	228	1,715
Fines and Forfeitures	0	0	0	0
All Other Revenue	0	0	0	0
Total Revenues	246,422	725,916	239,225	726,747
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	271,028	819,947	261,990	926,144
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
Public Health and Welfare Services	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	271,028	819,947	261,990	926,144
Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,606)	(94,031)	(22,765)	(199,397)
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
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(24,606)	(94,031)	(22,765)	(199,397)
Fund Balance at Beginning of Year	42,922	137,801	37,505	243,166
Decrease in Inventory	0	0	0	0
Fund Balance End of Year	\$ 18,316	\$ 43,770	\$ 14,740	\$ 43,769

(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, 2018***

	Public Health Care Services	Stormwater Management	Refuse	Street Maintenance
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	0	0
Intergovernmental Revenues	18,395	0	0	2,229,537
Charges for Services	0	2,121,632	4,429,494	164,769
Licenses and Permits	0	0	0	391,791
Investment Earnings	129	20,956	4,718	10,326
Fines and Forfeitures	0	0	0	0
All Other Revenue	1,410	28,173	74,906	620
Total Revenues	<u>19,934</u>	<u>2,170,761</u>	<u>4,509,118</u>	<u>2,797,043</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	0	0
Basic Utility Services	0	2,733,203	4,134,663	0
Transportation	0	0	0	3,093,168
Public Health and Welfare Services	18,314	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	<u>18,314</u>	<u>2,733,203</u>	<u>4,134,663</u>	<u>3,093,168</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,620	(562,442)	374,455	(296,125)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
OWDA Loans Issued	0	266,705	0	0
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>266,705</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	1,620	(295,737)	374,455	(296,125)
Fund Balance at Beginning of Year	8,096	1,532,540	1,940,169	1,016,788
Decrease in Inventory	0	0	0	(6,836)
Fund Balance End of Year	<u>\$ 9,716</u>	<u>\$ 1,236,803</u>	<u>\$ 2,314,624</u>	<u>\$ 713,827</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, 2018***

	Land Reutilization	Home Program	Parking	Golf Course
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	0	0
Intergovernmental Revenues	0	175,455	0	0
Charges for Services	0	0	288,212	1,053,260
Licenses and Permits	0	0	0	0
Investment Earnings	37	160	2,254	4,760
Fines and Forfeitures	0	0	0	0
All Other Revenue	0	8,274	2,375	4,327
Total Revenues	37	183,889	292,841	1,062,347
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	0	1,168,329
Community Environment	57,392	151,196	0	0
Basic Utility Services	0	0	0	0
Transportation	0	0	272,572	0
Public Health and Welfare Services	0	0	0	0
Debt Service:				
Principal Retirement	0	0	35,000	7,527
Interest and Fiscal Charges	0	0	20,206	4,876
Total Expenditures	57,392	151,196	327,778	1,180,732
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,355)	32,693	(34,937)	(118,385)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
OWDA Loans Issued	0	0	0	0
Transfers In	65,000	0	55,206	12,403
Total Other Financing Sources (Uses)	65,000	0	55,206	12,403
Net Change in Fund Balance	7,645	32,693	20,269	(105,982)
Fund Balance at Beginning of Year	22,668	94,572	127,539	322,252
Decrease in Inventory	0	0	0	833
Fund Balance End of Year	\$ 30,313	\$ 127,265	\$ 147,808	\$ 217,103

(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, 2018***

	Community Development Block Grant	Total Nonmajor Special Revenue Funds
Revenues:		
Income Taxes	\$ 0	\$ 3,365,643
Property and Other Local Taxes	0	2,391,252
Intergovernmental Revenues	1,120,352	3,884,373
Charges for Services	0	8,200,935
Licenses and Permits	0	391,791
Investment Earnings	1,826	51,893
Fines and Forfeitures	0	326,520
All Other Revenue	50,534	246,602
Total Revenues	<u>1,172,712</u>	<u>18,859,009</u>
Expenditures:		
Current:		
General Government	0	4,509
Security of Persons and Property	0	6,928,980
Leisure Time Activities	0	1,168,329
Community Environment	1,302,225	1,510,813
Basic Utility Services	0	6,867,866
Transportation	0	3,365,740
Public Health and Welfare Services	0	18,314
Debt Service:		
Principal Retirement	0	42,527
Interest and Fiscal Charges	0	25,082
Total Expenditures	<u>1,302,225</u>	<u>19,932,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(129,513)	(1,073,151)
Other Financing Sources (Uses):		
Sale of Capital Assets	0	22,813
OWDA Loans Issued	0	266,705
Transfers In	0	132,609
Total Other Financing Sources (Uses)	<u>0</u>	<u>422,127</u>
Net Change in Fund Balance	(129,513)	(651,024)
Fund Balance at Beginning of Year	239,784	7,132,164
Decrease in Inventory	0	(6,003)
Fund Balance End of Year	<u>\$ 110,271</u>	<u>\$ 6,475,137</u>

CITY OF HAMILTON, OHIO

***Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2018***

	Hamilton Capital Improvement	Special Assessment	MITIE
Assets:			
Equity in Pooled Cash and Investments	\$ 2,330,059	\$ 672,747	\$ 1,336,184
Receivables:			
Taxes	545,675	0	1,298,034
Special Assessments	0	290,707	0
Loans	100,000	0	0
Total Assets	<u>\$ 2,975,734</u>	<u>\$ 963,454</u>	<u>\$ 2,634,218</u>
Liabilities:			
Accounts Payable	\$ 507,029	\$ 0	\$ 43,642
Accrued Liabilities	49,596	0	0
Interfund Payable	0	942,000	0
Accrued Interest Payable	11,132	0	36,720
General Obligation Notes Payable	2,222,400	0	3,757,600
Total Liabilities	<u>2,790,157</u>	<u>942,000</u>	<u>3,837,962</u>
Deferred Inflows of Resources:			
Unavailable Amounts	315,036	290,707	252,836
Property Tax Levy for Next Fiscal Year	0	0	1,045,198
Total Deferred Inflows of Resources	<u>315,036</u>	<u>290,707</u>	<u>1,298,034</u>
Fund Balance:			
Assigned	0	0	0
Unassigned	(129,459)	(269,253)	(2,501,778)
Total Fund Balance	<u>(129,459)</u>	<u>(269,253)</u>	<u>(2,501,778)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,975,734</u>	<u>\$ 963,454</u>	<u>\$ 2,634,218</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2018***

	Infrastructure Program	Total Nonmajor Capital Projects Funds
Assets:		
Equity in Pooled Cash and Investments	\$ 827,295	\$ 5,166,285
Receivables:		
Taxes	0	1,843,709
Special Assessments	0	290,707
Loans	0	100,000
Total Assets	\$ 827,295	\$ 7,400,701
Liabilities:		
Accounts Payable	\$ 341,831	\$ 892,502
Accrued Liabilities	0	49,596
Interfund Payable	0	942,000
Accrued Interest Payable	0	47,852
General Obligation Notes Payable	0	5,980,000
Total Liabilities	341,831	7,911,950
Deferred Inflows of Resources:		
Unavailable Amounts	0	858,579
Property Tax Levy for Next Fiscal Year	0	1,045,198
Total Deferred Inflows of Resources	0	1,903,777
Fund Balance:		
Assigned	485,464	485,464
Unassigned	0	(2,900,490)
Total Fund Balance	485,464	(2,415,026)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 827,295	\$ 7,400,701

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2018***

	Hamilton Capital Improvement	Special Assessment	MITIE	Issue II Projects
Revenues:				
Income Taxes	\$ 2,692,429	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	1,045,196	0
Intergovernmental Revenues	498,113	0	0	1,369,867
Investment Earnings	(3,049)	537	4,318	0
Special Assessments	0	613,095	0	0
All Other Revenue	0	0	0	0
Total Revenues	<u>3,187,493</u>	<u>613,632</u>	<u>1,049,514</u>	<u>1,369,867</u>
Expenditures:				
Capital Outlay	3,219,239	940,170	1,929,283	1,369,867
Debt Service:				
Interest and Fiscal Charges	45,943	0	36,720	0
Total Expenditures	<u>3,265,182</u>	<u>940,170</u>	<u>1,966,003</u>	<u>1,369,867</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(77,689)	(326,538)	(916,489)	0
Other Financing Sources (Uses):				
Sale of Capital Assets	725,174	0	0	0
Bond Issuance	250,000	0	0	0
Discount on General Obligation Bonds Issued	(1,814)	0	0	0
Transfers In	907,293	0	2,001,879	0
Transfers Out	(1,539,961)	(403,767)	(351,870)	0
Total Other Financing Sources (Uses)	<u>340,692</u>	<u>(403,767)</u>	<u>1,650,009</u>	<u>0</u>
Net Change in Fund Balance	263,003	(730,305)	733,520	0
Fund Balance at Beginning of Year	<u>(392,462)</u>	<u>461,052</u>	<u>(3,235,298)</u>	<u>0</u>
Fund Balance End of Year	<u>\$ (129,459)</u>	<u>\$ (269,253)</u>	<u>\$ (2,501,778)</u>	<u>\$ 0</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2018***

	Clean Ohio Grants Program	Infrastructure Program	Total Nonmajor Capital Project Funds
Revenues:			
Income Taxes	\$ 0	\$ 0	\$ 2,692,429
Property and Other Local Taxes	0	0	1,045,196
Intergovernmental Revenues	0	1,035,004	2,902,984
Investment Earnings	57	1,217	3,080
Special Assessments	0	0	613,095
All Other Revenue	0	41,286	41,286
Total Revenues	<u>57</u>	<u>1,077,507</u>	<u>7,298,070</u>
Expenditures:			
Capital Outlay	7,350	2,628,277	10,094,186
Debt Service:			
Interest and Fiscal Charges	0	0	82,663
Total Expenditures	<u>7,350</u>	<u>2,628,277</u>	<u>10,176,849</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,293)	(1,550,770)	(2,878,779)
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	725,174
Bond Issuance	0	0	250,000
Discount on General Obligation Bonds Issued	0	0	(1,814)
Transfers In	0	3,797,322	6,706,494
Transfers Out	0	(233,365)	(2,528,963)
Total Other Financing Sources (Uses)	<u>0</u>	<u>3,563,957</u>	<u>5,150,891</u>
Net Change in Fund Balance	(7,293)	2,013,187	2,272,112
Fund Balance at Beginning of Year	<u>7,293</u>	<u>(1,527,723)</u>	<u>(4,687,138)</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 485,464</u>	<u>\$ (2,415,026)</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, 2018***

GENERAL FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 20,445,000	\$ 20,454,230	\$ 20,739,027	\$ 284,797
Property and Other Local Taxes	5,210,000	5,355,000	5,530,922	175,922
Intergovernmental Revenues	2,080,200	2,155,200	2,156,597	1,397
Charges for Services	15,780,115	16,482,115	15,956,791	(525,324)
Licenses and Permits	708,420	708,420	916,199	207,779
Investment Earnings	177,500	177,500	231,224	53,724
Fines and Forfeitures	667,130	655,130	619,881	(35,249)
All Other Revenue	148,495	238,495	332,923	94,428
Total Revenues	45,216,860	46,226,090	46,483,564	257,474
Expenditures:				
Security of Persons and Property:				
Municipal Court:				
Personal Services	1,567,145	1,515,808	1,473,395	42,413
Other Expenditures	269,539	258,767	217,668	41,099
Total Municipal Court	1,836,684	1,774,575	1,691,063	83,512
Police:				
Personal Services	13,707,693	13,962,993	13,914,758	48,235
Other Expenditures	1,341,720	1,297,259	1,261,131	36,128
Total Police	15,049,413	15,260,252	15,175,889	84,363
Fire:				
Personal Services	11,804,611	11,571,427	11,567,488	3,939
Other Expenditures	1,313,589	1,386,121	1,374,926	11,195
Total Fire	13,118,200	12,957,548	12,942,414	15,134
Total Security of Persons and Property	30,004,297	29,992,375	29,809,366	183,009
Public Health and Welfare Services:				
Health:				
Personal Services	1,034,950	1,112,513	1,107,438	5,075
Other Expenditures	437,262	389,226	345,832	43,394
Total Public Health and Welfare Services	1,472,212	1,501,739	1,453,270	48,469

(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, 2018***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Environment:				
Department of Planning:				
Personal Services	1,243,613	1,245,153	1,223,592	21,561
Other Expenditures	366,962	410,622	351,245	59,377
Total Department of Planning	<u>1,610,575</u>	<u>1,655,775</u>	<u>1,574,837</u>	<u>80,938</u>
CDBG:				
Other Expenditures	50,000	50,000	43,012	6,988
Total CDBG	<u>50,000</u>	<u>50,000</u>	<u>43,012</u>	<u>6,988</u>
Total Community Environment	<u>1,660,575</u>	<u>1,705,775</u>	<u>1,617,849</u>	<u>87,926</u>
Basic Utility Services:				
Public Works:				
Personal Services	998,407	1,049,209	1,048,682	527
Other Expenditures	283,680	296,658	243,386	53,272
Total Basic Utility Services	<u>1,282,087</u>	<u>1,345,867</u>	<u>1,292,068</u>	<u>53,799</u>
General Government:				
City Council:				
Personal Services	70,668	64,821	62,621	2,200
Other Expenditures	15,398	13,178	6,115	7,063
Total City Council	<u>86,066</u>	<u>77,999</u>	<u>68,736</u>	<u>9,263</u>
City Clerk:				
Personal Services	75,747	70,333	69,538	795
Other Expenditures	17,443	19,261	18,168	1,093
Total City Clerk	<u>93,190</u>	<u>89,594</u>	<u>87,706</u>	<u>1,888</u>
City Manager:				
Personal Services	384,957	403,543	403,423	120
Other Expenditures	41,857	40,284	27,546	12,738
Total City Manager	<u>426,814</u>	<u>443,827</u>	<u>430,969</u>	<u>12,858</u>
Department of Law:				
Other Expenditures	581	1	0	1
Total Department of Law	<u>581</u>	<u>1</u>	<u>0</u>	<u>1</u>
Department of Civil Service:				
Personal Services	348,098	334,887	333,933	954
Other Expenditures	27,112	24,814	17,632	7,182
Total Department of Civil Service	<u>375,210</u>	<u>359,701</u>	<u>351,565</u>	<u>8,136</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, 2018***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Finance:				
Personal Services	1,610,834	1,587,587	1,575,766	11,821
Other Expenditures	905,950	875,160	809,937	65,223
Total Finance	<u>2,516,784</u>	<u>2,462,747</u>	<u>2,385,703</u>	<u>77,044</u>
Human Resources:				
Personal Services	402,220	426,252	426,220	32
Other Expenditures	36,968	30,309	23,046	7,263
Total Human Resources	<u>439,188</u>	<u>456,561</u>	<u>449,266</u>	<u>7,295</u>
Special Appropriations - General:				
Personal Services	5,000	0	0	0
Other Expenditures	4,594,157	5,631,063	5,779,861	(148,798)
Total Special Appropriations - General	<u>4,599,157</u>	<u>5,631,063</u>	<u>5,779,861</u>	<u>(148,798)</u>
Special Appropriations:				
Personal Services	85,000	84,849	77,194	7,655
Other Expenditures	1,610,958	1,694,276	1,689,449	4,827
Total Special Appropriations	<u>1,695,958</u>	<u>1,779,125</u>	<u>1,766,643</u>	<u>12,482</u>
Total General Government	<u>10,232,948</u>	<u>11,300,618</u>	<u>11,320,449</u>	<u>(19,831)</u>
Total Expenditures	<u>44,652,119</u>	<u>45,846,374</u>	<u>45,493,002</u>	<u>353,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	564,741	379,716	990,562	610,846
Other Financing Sources (Uses):				
Sale of Capital Assets	500	500	2,721	2,221
Bond Issuance	1,500,000	1,500,000	2,500,000	1,000,000
Transfers Out	(2,810,607)	(2,810,607)	(2,810,231)	376
Total Other Financing Sources (Uses)	<u>(1,310,107)</u>	<u>(1,310,107)</u>	<u>(307,510)</u>	<u>1,002,597</u>
Net Change in Fund Balance	(745,366)	(930,391)	683,052	1,613,443
Fund Balance at Beginning of Year	4,906,377	4,906,377	4,906,377	0
Prior Year Encumbrances	745,371	745,371	745,371	0
Fund Balance at End of Year	<u>\$ 4,906,382</u>	<u>\$ 4,721,357</u>	<u>\$ 6,334,800</u>	<u>\$ 1,613,443</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, 2018***

ONE RENAISSANCE CENTER FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 1,917,200	\$ 1,917,200	\$ 1,952,818	\$ 35,618
All Other Revenue	0	0	25	25
Total Revenues	<u>1,917,200</u>	<u>1,917,200</u>	<u>1,952,843</u>	<u>35,643</u>
Expenditures:				
General Government:				
Other Expenditures	1,406,795	875,243	827,007	48,236
Total Expenditures	<u>1,406,795</u>	<u>875,243</u>	<u>827,007</u>	<u>48,236</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	510,405	1,041,957	1,125,836	83,879
Other Financing Sources (Uses):				
Transfers Out	(1,374,133)	(1,429,133)	(1,423,576)	5,557
Total Other Financing Sources (Uses)	<u>(1,374,133)</u>	<u>(1,429,133)</u>	<u>(1,423,576)</u>	<u>5,557</u>
Net Change in Fund Balance	(863,728)	(387,176)	(297,740)	89,436
Fund Balance at Beginning of Year	783,235	783,235	783,235	0
Prior Year Encumbrances	185,795	185,795	185,795	0
Fund Balance at End of Year	<u>\$ 105,302</u>	<u>\$ 581,854</u>	<u>\$ 671,290</u>	<u>\$ 89,436</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, 2018***

MUNICIPAL COURT IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for Services	\$ 119,700	\$ 119,700	\$ 108,414	\$ (11,286)
Fines and Forfeitures	<u>91,360</u>	<u>91,360</u>	<u>84,009</u>	<u>(7,351)</u>
Total Revenues	<u>211,060</u>	<u>211,060</u>	<u>192,423</u>	<u>(18,637)</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	<u>215,529</u>	<u>215,529</u>	<u>181,805</u>	<u>33,724</u>
Total Expenditures	<u>215,529</u>	<u>215,529</u>	<u>181,805</u>	<u>33,724</u>
Net Change in Fund Balance	(4,469)	(4,469)	10,618	15,087
Fund Balance at Beginning of Year	324,189	324,189	324,189	0
Prior Year Encumbrances	<u>13,059</u>	<u>13,059</u>	<u>13,059</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 332,779</u>	<u>\$ 332,779</u>	<u>\$ 347,866</u>	<u>\$ 15,087</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, 2018***

PUBLIC SAFETY/HEALTH INCOME TAX FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 3,288,550	\$ 3,288,550	\$ 3,343,387	\$ 54,837
Total Revenues	<u>3,288,550</u>	<u>3,288,550</u>	<u>3,343,387</u>	<u>54,837</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	3,290,000	3,290,000	3,289,000	1,000
Total Expenditures	<u>3,290,000</u>	<u>3,290,000</u>	<u>3,289,000</u>	<u>1,000</u>
Net Change in Fund Balance	(1,450)	(1,450)	54,387	55,837
Fund Balance at Beginning of Year	<u>119,327</u>	<u>119,327</u>	<u>119,327</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 117,877</u>	<u>\$ 117,877</u>	<u>\$ 173,714</u>	<u>\$ 55,837</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, 2018***

DISPUTE RESOLUTION PROCEEDS FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	(Negative)
Revenues:				
Charges for Services	\$ 9,200	\$ 9,200	\$ 9,033	\$ (167)
Total Revenues	<u>9,200</u>	<u>9,200</u>	<u>9,033</u>	<u>(167)</u>
Expenditures:				
General Government:				
Personal Services	4,700	4,700	4,511	189
Other Expenditures	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Expenditures	<u>5,700</u>	<u>5,700</u>	<u>4,511</u>	<u>1,189</u>
Net Change in Fund Balance	3,500	3,500	4,522	1,022
Fund Balance at Beginning of Year	<u>25,229</u>	<u>25,229</u>	<u>25,229</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 28,729</u>	<u>\$ 28,729</u>	<u>\$ 29,751</u>	<u>\$ 1,022</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, 2018***

SAFETY SERVICES FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 660,000	\$ 660,000	\$ 698,048	\$ 38,048
Intergovernmental Revenues	123,195	123,195	98,609	(24,586)
Charges for Services	29,900	29,900	26,121	(3,779)
Fines and Forfeitures	206,700	206,700	242,511	35,811
All Other Revenue	29,540	69,540	75,983	6,443
Total Revenues	<u>1,049,335</u>	<u>1,089,335</u>	<u>1,141,272</u>	<u>51,937</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	266,580	265,098	214,334	50,764
Other Expenditures	936,515	1,099,835	1,013,020	86,815
Total Expenditures	<u>1,203,095</u>	<u>1,364,933</u>	<u>1,227,354</u>	<u>137,579</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(153,760)	(275,598)	(86,082)	189,516
Other Financing Sources (Uses):				
Sale of Capital Assets	7,000	7,000	22,813	15,813
Total Other Financing Sources (Uses)	<u>7,000</u>	<u>7,000</u>	<u>22,813</u>	<u>15,813</u>
Net Change in Fund Balance	(146,760)	(268,598)	(63,269)	205,329
Fund Balance at Beginning of Year	693,536	693,536	693,536	0
Prior Year Encumbrances	25,922	25,922	25,922	0
Fund Balance at End of Year	<u>\$ 572,698</u>	<u>\$ 450,860</u>	<u>\$ 656,189</u>	<u>\$ 205,329</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, 2018***

POLICE PENSION FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 200,000	\$ 200,000	\$ 209,414	\$ 9,414
Intergovernmental Revenues	30,000	30,000	36,754	6,754
Total Revenues	230,000	230,000	246,168	16,168
Expenditures:				
Security of Persons and Property:				
Other Expenditures	230,000	273,000	271,028	1,972
Total Expenditures	230,000	273,000	271,028	1,972
Net Change in Fund Balance	0	(43,000)	(24,860)	18,140
Fund Balance at Beginning of Year	43,260	43,260	43,260	0
Fund Balance at End of Year	\$ 43,260	\$ 260	\$ 18,400	\$ 18,140

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, 2018***

POLICE LEVY FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 630,000	\$ 630,000	\$ 637,188	\$ 7,188
Intergovernmental Revenues	90,000	90,000	87,844	(2,156)
Total Revenues	720,000	720,000	725,032	5,032
Expenditures:				
Security of Persons and Property:				
Other Expenditures	720,000	858,000	819,947	38,053
Total Expenditures	720,000	858,000	819,947	38,053
Net Change in Fund Balance	0	(138,000)	(94,915)	43,085
Fund Balance at Beginning of Year	138,887	138,887	138,887	0
Fund Balance at End of Year	\$ 138,887	\$ 887	\$ 43,972	\$ 43,085

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, 2018***

FIREMEN'S PENSION FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 200,000	\$ 200,000	\$ 209,414	\$ 9,414
Intergovernmental Revenues	30,000	30,000	29,583	(417)
Total Revenues	<u>230,000</u>	<u>230,000</u>	<u>238,997</u>	<u>8,997</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	230,000	267,000	261,990	5,010
Total Expenditures	<u>230,000</u>	<u>267,000</u>	<u>261,990</u>	<u>5,010</u>
Net Change in Fund Balance	0	(37,000)	(22,993)	14,007
Fund Balance at Beginning of Year	<u>37,801</u>	<u>37,801</u>	<u>37,801</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 37,801</u>	<u>\$ 801</u>	<u>\$ 14,808</u>	<u>\$ 14,007</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, 2018***

FIRE EMS LEVY FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 630,000	\$ 630,000	\$ 637,188	\$ 7,188
Intergovernmental Revenues	90,000	90,000	87,844	(2,156)
Total Revenues	720,000	720,000	725,032	5,032
Expenditures:				
Security of Persons and Property:				
Other Expenditures	720,000	965,000	926,144	38,856
Total Expenditures	720,000	965,000	926,144	38,856
Net Change in Fund Balance	0	(245,000)	(201,112)	43,888
Fund Balance at Beginning of Year	245,083	245,083	245,083	0
Fund Balance at End of Year	\$ 245,083	\$ 83	\$ 43,971	\$ 43,888

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, 2018***

PUBLIC HEALTH CARE SERVICES FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 45,000	\$ 45,000	\$ 18,783	\$ (26,217)
Investment Earnings	50	50	105	55
All Other Revenue	1,425	1,425	1,410	(15)
Total Revenues	46,475	46,475	20,298	(26,177)
Expenditures:				
Public Health and Welfare Services:				
Personal Services	23,438	2,858	687	2,171
Other Expenditures	20,610	20,610	20,075	535
Total Expenditures	44,048	23,468	20,762	2,706
Net Change in Fund Balance	2,427	23,007	(464)	(23,471)
Fund Balance at Beginning of Year	9,240	9,240	9,240	0
Prior Year Encumbrances	100	100	100	0
Fund Balance at End of Year	\$ 11,767	\$ 32,347	\$ 8,876	\$ (23,471)

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, 2018***

STORMWATER MANAGEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 2,125,000	\$ 2,125,000	\$ 2,122,136	\$ (2,864)
Investment Earnings	20,000	20,000	15,592	(4,408)
All Other Revenue	25,000	25,000	28,173	3,173
Total Revenues	<u>2,170,000</u>	<u>2,170,000</u>	<u>2,165,901</u>	<u>(4,099)</u>
Expenditures:				
Basic Utility Services:				
Personal Services	798,735	873,230	872,870	360
Other Expenditures	2,612,246	2,537,693	2,170,091	367,602
Total Expenditures	<u>3,410,981</u>	<u>3,410,923</u>	<u>3,042,961</u>	<u>367,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,240,981)	(1,240,923)	(877,060)	363,863
Other Financing Sources (Uses):				
OWDA Loan Issuance	0	0	201,154	201,154
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>201,154</u>	<u>201,154</u>
Net Change in Fund Balance	(1,240,981)	(1,240,923)	(675,906)	565,017
Fund Balance at Beginning of Year	105,743	105,743	105,743	0
Prior Year Encumbrances	1,241,680	1,241,680	1,241,680	0
Fund Balance at End of Year	<u>\$ 106,442</u>	<u>\$ 106,500</u>	<u>\$ 671,517</u>	<u>\$ 565,017</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, 2018***

	REFUSE FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 4,412,000	\$ 4,412,000	\$ 4,442,015	\$ 30,015
All Other Revenue	50,000	50,000	74,906	24,906
Total Revenues	<u>4,462,000</u>	<u>4,462,000</u>	<u>4,516,921</u>	<u>54,921</u>
Expenditures:				
Basic Utility Services:				
Personal Services	546,727	606,727	600,702	6,025
Other Expenditures	3,999,469	3,947,370	3,828,796	118,574
Total Expenditures	<u>4,546,196</u>	<u>4,554,097</u>	<u>4,429,498</u>	<u>124,599</u>
Net Change in Fund Balance	(84,196)	(92,097)	87,423	179,520
Fund Balance at Beginning of Year	1,559,582	1,559,582	1,559,582	0
Prior Year Encumbrances	62,039	62,039	62,039	0
Fund Balance at End of Year	<u>\$ 1,537,425</u>	<u>\$ 1,529,524</u>	<u>\$ 1,709,044</u>	<u>\$ 179,520</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, 2018***

STREET MAINTENANCE FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 2,381,000	\$ 2,381,000	\$ 2,296,577	\$ (84,423)
Charges for Services	300,500	300,500	164,769	(135,731)
Licenses and Permits	367,000	367,000	391,791	24,791
Investment Earnings	3,000	3,000	8,270	5,270
All Other Revenue	13,000	13,000	330	(12,670)
Total Revenues	3,064,500	3,064,500	2,861,737	(202,763)
Expenditures:				
Transportation:				
Personal Services	1,307,869	1,306,405	1,228,024	78,381
Other Expenditures	1,706,320	1,727,683	1,655,995	71,688
Total Expenditures	3,014,189	3,034,088	2,884,019	150,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,311	30,412	(22,282)	(52,694)
Other Financing Sources (Uses):				
Transfers Out	(200,000)	(200,000)	0	200,000
Total Other Financing Sources (Uses)	(200,000)	(200,000)	0	200,000
Net Change in Fund Balance	(149,689)	(169,588)	(22,282)	147,306
Fund Balance at Beginning of Year	441,292	441,292	441,292	0
Prior Year Encumbrances	120,108	120,108	120,108	0
Fund Balance at End of Year	\$ 411,711	\$ 391,812	\$ 539,118	\$ 147,306

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, 2018***

LAND REUTILIZATION FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Community Environment:				
Personal Services	73,325	68,325	54,576	13,749
Other Expenditures	5,428	10,000	3,200	6,800
Total Expenditures	78,753	78,325	57,776	20,549
Excess (Deficiency) of Revenues Over (Under) Expenditures	(78,753)	(78,325)	(57,776)	20,549
Other Financing Sources (Uses):				
Sale of Capital Assets	10,000	10,000	0	(10,000)
Transfers In	65,000	65,000	65,000	0
Total Other Financing Sources (Uses)	75,000	75,000	65,000	(10,000)
Net Change in Fund Balance	(3,753)	(3,325)	7,224	10,549
Fund Balance at Beginning of Year	22,776	22,776	22,776	0
Prior Year Encumbrances	428	428	428	0
Fund Balance at End of Year	<u>\$ 19,451</u>	<u>\$ 19,879</u>	<u>\$ 30,428</u>	<u>\$ 10,549</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, 2018***

HOME PROGRAM FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 632,217	\$ 1,074,722	\$ 169,955	\$ (904,767)
All Other Revenue	753,123	179,056	8,274	(170,782)
Total Revenues	<u>1,385,340</u>	<u>1,253,778</u>	<u>178,229</u>	<u>(1,075,549)</u>
Expenditures:				
Community Environment:				
Personal Services	16,426	42,002	18,304	23,698
Other Expenditures	815,328	1,307,341	127,476	1,179,865
Total Expenditures	<u>831,754</u>	<u>1,349,343</u>	<u>145,780</u>	<u>1,203,563</u>
Net Change in Fund Balance	553,586	(95,565)	32,449	128,014
Fund Balance at Beginning of Year	<u>95,565</u>	<u>95,565</u>	<u>95,565</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 649,151</u>	<u>\$ 0</u>	<u>\$ 128,014</u>	<u>\$ 128,014</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, 2018***

	PARKING FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for Services	\$ 311,000	\$ 311,000	\$ 288,212	\$ (22,788)
Investment Earnings	5,000	5,000	1,799	(3,201)
All Other Revenue	5,000	5,000	2,375	(2,625)
Total Revenues	<u>321,000</u>	<u>321,000</u>	<u>292,386</u>	<u>(28,614)</u>
Expenditures:				
Transportation:				
Personal Services	141,289	116,289	88,572	27,717
Other Expenditures	208,963	228,690	212,753	15,937
Debt Service:				
Principal Retirement	35,000	35,000	35,000	0
Interest and Fiscal Charges	20,207	20,207	20,206	1
Total Expenditures	<u>405,459</u>	<u>400,186</u>	<u>356,531</u>	<u>43,655</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,459)	(79,186)	(64,145)	15,041
Other Financing Sources (Uses):				
Transfers In	55,207	55,207	55,206	(1)
Total Other Financing Sources (Uses)	<u>55,207</u>	<u>55,207</u>	<u>55,206</u>	<u>(1)</u>
Net Change in Fund Balance	(29,252)	(23,979)	(8,939)	15,040
Fund Balance at Beginning of Year	89,720	89,720	89,720	0
Prior Year Encumbrances	37,543	37,543	37,543	0
Fund Balance at End of Year	<u>\$ 98,011</u>	<u>\$ 103,284</u>	<u>\$ 118,324</u>	<u>\$ 15,040</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, 2018***

GOLF COURSE FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 1,170,750	\$ 1,195,750	\$ 1,054,685	\$ (141,065)
Investment Earnings	1,250	1,250	3,270	2,020
All Other Revenue	1,340	1,340	4,327	2,987
Total Revenues	1,173,340	1,198,340	1,062,282	(136,058)
Expenditures:				
Leisure Time Activities:				
Personal Services	513,021	538,021	518,596	19,425
Other Expenditures	772,311	751,615	721,223	30,392
Debt Service:				
Principal Retirement	7,527	7,527	7,527	0
Interest and Fiscal Charges	5,140	5,140	4,876	264
Total Expenditures	1,297,999	1,302,303	1,252,222	50,081
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(124,659)	(103,963)	(189,940)	(85,977)
Other Financing Sources (Uses):				
Transfers In	12,667	12,667	12,403	(264)
Total Other Financing Sources (Uses)	12,667	12,667	12,403	(264)
Net Change in Fund Balance	(111,992)	(91,296)	(177,537)	(86,241)
Fund Balance at Beginning of Year	278,553	278,553	278,553	0
Prior Year Encumbrances	81,951	81,951	81,951	0
Fund Balance at End of Year	\$ 248,512	\$ 269,208	\$ 182,967	\$ (86,241)

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, 2018***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
Revenues:				
Intergovernmental Revenues	\$ 1,328,776	\$ 2,749,501	\$ 1,171,240	\$ (1,578,261)
Investment Earnings	383	794	369	(425)
All Other Revenue	261,190	390,463	50,534	(339,929)
Total Revenues	<u>1,590,349</u>	<u>3,140,758</u>	<u>1,222,143</u>	<u>(1,918,615)</u>
Expenditures:				
Community Environment:				
Personal Services	129,119	434,889	251,501	183,388
Other Expenditures	1,757,601	2,889,259	1,108,645	1,780,614
Total Expenditures	<u>1,886,720</u>	<u>3,324,148</u>	<u>1,360,146</u>	<u>1,964,002</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(296,371)	(183,390)	(138,003)	45,387
Other Financing Sources (Uses):				
Transfers In	0	122,036	122,034	(2)
Transfers Out	0	(122,036)	(122,034)	2
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(296,371)	(183,390)	(138,003)	45,387
Fund Balance at Beginning of Year	254,820	254,820	254,820	0
Fund Balance at End of Year	<u>\$ (41,551)</u>	<u>\$ 71,430</u>	<u>\$ 116,817</u>	<u>\$ 45,387</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2018***

DEBT SERVICE FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	(Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Debt Service:				
Principal Retirement	2,560,728	15,890,728	15,891,684	(956)
Interest and Fiscal Charges	1,271,146	1,621,146	1,188,813	432,333
Total Expenditures	3,831,874	17,511,874	17,080,497	431,377
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,831,874)	(17,511,874)	(17,080,497)	431,377
Other Financing Sources (Uses):				
Bond Issuance	0	8,800,000	8,720,000	(80,000)
Note Issuance	0	4,880,000	4,880,000	0
Discount on Bond Issuance	0	0	(52,373)	(52,373)
Transfers In	3,831,874	3,901,874	3,533,060	(368,814)
Total Other Financing Sources (Uses)	3,831,874	17,581,874	17,080,687	(501,187)
Net Change in Fund Balance	0	70,000	190	(69,810)
Fund Balance at Beginning of Year	5,255	5,255	5,255	0
Fund Balance at End of Year	\$ 5,255	\$ 75,255	\$ 5,445	\$ (69,810)

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, 2018***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Income Taxes	\$ 2,631,000	\$ 2,631,000	\$ 2,674,624	\$ 43,624
Intergovernmental Revenues	718,616	1,208,616	498,113	(710,503)
All Other Revenue	25,000	25,000	0	(25,000)
Total Revenues	<u>3,374,616</u>	<u>3,864,616</u>	<u>3,172,737</u>	<u>(691,879)</u>
Expenditures:				
Capital Outlay	3,088,193	3,758,855	3,404,519	354,336
Debt Service:				
Interest and Fiscal Charges	<u>0</u>	<u>53,185</u>	<u>34,811</u>	<u>18,374</u>
Total Expenditures	<u>3,088,193</u>	<u>3,812,040</u>	<u>3,439,330</u>	<u>372,710</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	286,423	52,576	(266,593)	(319,169)
Other Financing Sources (Uses):				
Sale of Capital Assets	5,000	725,000	725,174	174
Bond Issuance	0	265,000	250,000	(15,000)
Debt Issuance Discount	0	(1,815)	(1,814)	1
Transfers In	755,000	755,000	729,693	(25,307)
Transfers Out	(2,258,612)	(1,896,612)	(1,539,961)	356,651
Advances In	<u>250,000</u>	<u>300,000</u>	<u>1,300,000</u>	<u>1,000,000</u>
Total Other Financing Sources (Uses)	<u>(1,248,612)</u>	<u>146,573</u>	<u>1,463,092</u>	<u>1,316,519</u>
Net Change in Fund Balance	(962,189)	199,149	1,196,499	997,350
Fund Balance at Beginning of Year	345,808	345,808	345,808	0
Prior Year Encumbrances	<u>635,946</u>	<u>635,946</u>	<u>635,946</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 19,565</u>	<u>\$ 1,180,903</u>	<u>\$ 2,178,253</u>	<u>\$ 997,350</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, 2018***

SPECIAL ASSESSMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 505,000	\$ 725,000	\$ 613,095	\$ (111,905)
Total Revenues	<u>505,000</u>	<u>725,000</u>	<u>613,095</u>	<u>(111,905)</u>
Expenditures:				
Capital Outlay	917,538	1,180,189	1,180,098	91
Total Expenditures	<u>917,538</u>	<u>1,180,189</u>	<u>1,180,098</u>	<u>91</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(412,538)	(455,189)	(567,003)	(111,814)
Other Financing Sources (Uses):				
Transfers Out	(403,768)	(403,768)	(403,767)	1
Advances In	500,000	950,000	942,000	(8,000)
Total Other Financing Sources (Uses)	<u>96,232</u>	<u>546,232</u>	<u>538,233</u>	<u>(7,999)</u>
Net Change in Fund Balance	(316,306)	91,043	(28,770)	(119,813)
Fund Balance at Beginning of Year	147,148	147,148	147,148	0
Prior Year Encumbrances	317,538	317,538	317,538	0
Fund Balance at End of Year	<u>\$ 148,380</u>	<u>\$ 555,729</u>	<u>\$ 435,916</u>	<u>\$ (119,813)</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, 2018***

MUNICIPAL IMPROVEMENT TAX INCREMENT EQUIVALENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 1,059,100	\$ 1,095,000	\$ 1,045,196	\$ (49,804)
Total Revenues	<u>1,059,100</u>	<u>1,095,000</u>	<u>1,045,196</u>	<u>(49,804)</u>
Expenditures:				
Capital Outlay	3,069,593	3,113,897	1,967,146	1,146,751
Total Expenditures	<u>3,069,593</u>	<u>3,113,897</u>	<u>1,967,146</u>	<u>1,146,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,010,493)	(2,018,897)	(921,950)	1,096,947
Other Financing Sources (Uses):				
Transfers In	100,000	100,000	9,479	(90,521)
Transfers Out	(460,045)	(460,045)	(351,870)	108,175
Advances In	1,300,000	1,250,000	1,250,000	0
Total Other Financing Sources (Uses)	<u>939,955</u>	<u>889,955</u>	<u>907,609</u>	<u>17,654</u>
Net Change in Fund Balance	(1,070,538)	(1,128,942)	(14,341)	1,114,601
Fund Balance at Beginning of Year	263,846	263,846	263,846	0
Prior Year Encumbrances	1,075,038	1,075,038	1,075,038	0
Fund Balance at End of Year	<u>\$ 268,346</u>	<u>\$ 209,942</u>	<u>\$ 1,324,543</u>	<u>\$ 1,114,601</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, 2018***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,000,000	\$ 1,000,000	\$ 1,369,867	\$ 369,867
Total Revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,369,867</u>	<u>369,867</u>
Expenditures:				
Capital Outlay	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,369,867</u>	<u>(369,867)</u>
Total Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,369,867</u>	<u>(369,867)</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, 2018***

CLEAN OHIO GRANTS PROGRAM FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Capital Outlay	0	7,350	7,350	0
Total Expenditures	0	7,350	7,350	0
Net Change in Fund Balance	0	(7,350)	(7,350)	0
Fund Balance at Beginning of Year	7,350	7,350	7,350	0
Fund Balance at End of Year	<u>\$ 7,350</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, 2018***

INFRASTRUCTURE PROGRAM FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 2,682,694	\$ 1,657,794	\$ 1,461,993	\$ (195,801)
All Other Revenue	0	0	41,286	41,286
Total Revenues	<u>2,682,694</u>	<u>1,657,794</u>	<u>1,503,279</u>	<u>(154,515)</u>
Expenditures:				
Capital Outlay	5,578,848	3,781,938	3,554,062	227,876
Total Expenditures	<u>5,578,848</u>	<u>3,781,938</u>	<u>3,554,062</u>	<u>227,876</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,896,154)	(2,124,144)	(2,050,783)	73,361
Other Financing Sources (Uses):				
Transfers In	1,702,045	1,340,045	1,147,322	(192,723)
Transfers Out	(225,235)	(240,235)	(233,365)	6,870
Advances In	900,000	650,000	650,000	0
Total Other Financing Sources (Uses)	<u>2,376,810</u>	<u>1,749,810</u>	<u>1,563,957</u>	<u>(185,853)</u>
Net Change in Fund Balance	(519,344)	(374,334)	(486,826)	(112,492)
Fund Balance at Beginning of Year	119,771	119,771	119,771	0
Prior Year Encumbrances	522,835	522,835	522,835	0
Fund Balance at End of Year	<u>\$ 123,262</u>	<u>\$ 268,272</u>	<u>\$ 155,780</u>	<u>\$ (112,492)</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, 2018***

BENNINGHOFEN TRUST FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 800	\$ 1,100	\$ 1,009	\$ (91)
Total Revenues	800	1,100	1,009	(91)
Expenditures:				
General Government:				
Other Expenditures	800	1,100	1,098	2
Total Expenditures	800	1,100	1,098	2
Net Change in Fund Balance	0	0	(89)	(89)
Fund Balance at Beginning of Year	75,419	75,419	75,419	0
Fund Balance at End of Year	\$ 75,419	\$ 75,419	\$ 75,330	\$ (89)

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, 2018**

	Fleet Maintenance	Central Services	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 237,050	\$ 0	\$ 237,050
Inventory of Supplies at Cost	30,788	0	30,788
Total Current Assets	<u>267,838</u>	<u>0</u>	<u>267,838</u>
Noncurrent Assets:			
Non Depreciable Capital Assets	11,600	0	11,600
Depreciable Capital Assets, Net	16,703	0	16,703
Total Noncurrent Assets	<u>28,303</u>	<u>0</u>	<u>28,303</u>
Total Assets	<u>296,141</u>	<u>0</u>	<u>296,141</u>
Deferred Outflows of Resources:			
Pension	221,649	1,237,698	1,459,347
OPEB	61,235	341,935	403,170
Total Deferred Outflows of Resources	<u>282,884</u>	<u>1,579,633</u>	<u>1,862,517</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	160,919	169,607	330,526
Accrued Wages and Benefits	22,992	89,987	112,979
Intergovernmental Payable	2,290	12,902	15,192
Compensated Absences Payable - Current	55,955	307,574	363,529
Interfund Payable	0	227,846	227,846
Total Current Liabilities	<u>242,156</u>	<u>807,916</u>	<u>1,050,072</u>
Noncurrent Liabilities:			
Compensated Absences Payable	71,641	235,113	306,754
Net Pension Liability	775,909	4,332,694	5,108,603
Net OPEB Liability	543,361	3,034,140	3,577,501
Total Noncurrent Liabilities	<u>1,390,911</u>	<u>7,601,947</u>	<u>8,992,858</u>
Total Liabilities	<u>1,633,067</u>	<u>8,409,863</u>	<u>10,042,930</u>
Deferred Inflows of Resources:			
Pension	183,792	1,027,851	1,211,643
OPEB	40,477	226,023	266,500
Total Deferred Inflows of Resources	<u>224,269</u>	<u>1,253,874</u>	<u>1,478,143</u>
Net Position:			
Investment in Capital Assets	28,303	0	28,303
Unrestricted	(1,306,614)	(8,084,104)	(9,390,718)
Total Net Position	<u>\$ (1,278,311)</u>	<u>\$ (8,084,104)</u>	<u>\$ (9,362,415)</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, 2018**

	Fleet Maintenance	Central Services	Total
Operating Revenues:			
Charges for Services	\$ 2,697,365	\$ 8,432,545	\$ 11,129,910
Other Operating Revenues	3,305	0	3,305
Total Operating Revenues	<u>2,700,670</u>	<u>8,432,545</u>	<u>11,133,215</u>
Operating Expenses:			
Personal Services	1,292,017	6,467,170	7,759,187
Contractual Services	495,354	2,435,985	2,931,339
Materials and Supplies	1,099,999	567,283	1,667,282
Depreciation	9,435	0	9,435
Other Operating Expenses	26,781	190,123	216,904
Total Operating Expenses	<u>2,923,586</u>	<u>9,660,561</u>	<u>12,584,147</u>
Operating Loss	(222,916)	(1,228,016)	(1,450,932)
Nonoperating Revenues (Expenses):			
Investment Earnings	371	1,066	1,437
Total Nonoperating Revenues (Expenses)	<u>371</u>	<u>1,066</u>	<u>1,437</u>
Change in Net Position	(222,545)	(1,226,950)	(1,449,495)
Net Position Beginning of Year - Restated	<u>(1,055,766)</u>	<u>(6,857,154)</u>	<u>(7,912,920)</u>
Net Position End of Year	<u>\$ (1,278,311)</u>	<u>\$ (8,084,104)</u>	<u>\$ (9,362,415)</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2018***

	Fleet Maintenance	Central Services	Total
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,700,670	\$8,432,545	\$11,133,215
Cash Payments for Goods and Services	(1,629,020)	(3,258,840)	(4,887,860)
Cash Payments for Employees	(1,014,017)	(5,404,790)	(6,418,807)
Net Cash Provided (Used) by Operating Activities	<u>57,633</u>	<u>(231,085)</u>	<u>(173,452)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Advances In from Other Funds	0	227,846	227,846
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>227,846</u>	<u>227,846</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(6,388)	0	(6,388)
Net Cash Used by Capital and Related Financing Activities	<u>(6,388)</u>	<u>0</u>	<u>(6,388)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	371	1,066	1,437
Net Cash Provided by Investing Activities	<u>371</u>	<u>1,066</u>	<u>1,437</u>
Net Increase (Decrease) in Cash and Cash Equivalents	51,616	(2,173)	49,443
Cash and Cash Equivalents at Beginning of Year	185,434	2,173	187,607
Cash and Cash Equivalents at End of Year	<u>\$237,050</u>	<u>\$0</u>	<u>\$237,050</u>
<u>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Loss	(\$222,916)	(\$1,228,016)	(\$1,450,932)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	9,435	0	9,435
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Increase in Inventory	(1,127)	0	(1,127)
Decrease in Deferred Outflows of Resources	55,995	586,272	642,267
Decrease in Accounts Payable	(5,085)	(64,299)	(69,384)
Increase in Accrued Wages and Benefits	8,992	18,728	27,720
Increase in Intergovernmental Payable	38	854	892
Increase in Compensated Absences	16,615	63,957	80,572
Decrease in Net Pension Liability	(79,335)	(1,133,476)	(1,212,811)
Increase in Net OPEB Liability	69,382	387,430	456,812
Increase in Deferred Inflows of Resources	205,639	1,137,465	1,343,104
Total Adjustments	<u>280,549</u>	<u>996,931</u>	<u>1,277,480</u>
Net Cash Provided (Used) by Operating Activities	<u>\$57,633</u>	<u>(\$231,085)</u>	<u>(\$173,452)</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2018 the Fleet Maintenance Fund had outstanding liabilities of \$6,348 for the purchase of certain capital assets.

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.

Agency 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.

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.

Employee Taxes and Benefits Fund

To account for special taxes and benefits of City employees.

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.

Tax Collections Fund

To account for taxes obtained on behalf of other municipalities.

Butler County Annexation Tax Fund

To account for income taxes obtained from a special annexation of property contiguous to Hamilton.

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.

Agency Funds

Joint Economic Development District I Fund

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.

Joint Economic Development District II Fund

To account for the receipt and disbursement of income tax revenue pursuant to Section 11 of The 2004 Joint Economic Development District Agreement with Indian Springs/ Fairfield Township.

Joint Economic Development District III Fund

To account for the receipt and disbursement of income tax revenue pursuant to Section 5 of the 2017 amendment to the Hamilton-Indian Springs Joint Economic Development District Contract with Fairfield Township.

Fire Damage Deposit Escrow Fund

To account for deposits and reimbursements held for fire damage as prescribed by Ohio Revised Code.

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.

Municipal Court Fund

To account for funds that flow through the Municipal Court office.

CITY OF HAMILTON, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2018***

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018
<u>Rounding Up Utility Account</u>				
Assets:				
Equity in Pooled Cash and Investments	\$1,502	\$5,389	(\$5,500)	\$1,391
Total Assets	<u>\$1,502</u>	<u>\$5,389</u>	<u>(\$5,500)</u>	<u>\$1,391</u>
Liabilities:				
Accounts Payable	\$1,502	\$1,391	(\$1,502)	\$1,391
Due to Others	0	3,998	(3,998)	0
Total Liabilities	<u>\$1,502</u>	<u>\$5,389</u>	<u>(\$5,500)</u>	<u>\$1,391</u>
<u>Convention and Visitor's Bureau</u>				
Assets:				
Equity in Pooled Cash and Investments	\$29,472	\$99,979	(\$101,842)	\$27,609
Total Assets	<u>\$29,472</u>	<u>\$99,979</u>	<u>(\$101,842)</u>	<u>\$27,609</u>
Liabilities:				
Accounts Payable	\$29,472	\$27,609	(\$29,472)	\$27,609
Due to Others	0	72,370	(72,370)	0
Total Liabilities	<u>\$29,472</u>	<u>\$99,979</u>	<u>(\$101,842)</u>	<u>\$27,609</u>
<u>Employee Taxes and Benefits</u>				
Assets:				
Equity in Pooled Cash and Investments	\$1,000,554	\$61,268,368	(\$61,108,328)	\$1,160,594
Total Assets	<u>\$1,000,554</u>	<u>\$61,268,368</u>	<u>(\$61,108,328)</u>	<u>\$1,160,594</u>
Liabilities:				
Due to Others	\$69,848	\$60,225,814	(\$60,177,622)	\$118,040
Intergovernmental Payable	930,706	1,042,554	(930,706)	1,042,554
Total Liabilities	<u>\$1,000,554</u>	<u>\$61,268,368</u>	<u>(\$61,108,328)</u>	<u>\$1,160,594</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2018***

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018
<u>Unclaimed Monies</u>				
Assets:				
Equity in Pooled Cash and Investments	\$0	\$94,255	(\$65,983)	\$28,272
Total Assets	\$0	\$94,255	(\$65,983)	\$28,272
Liabilities:				
Due to Others	\$0	\$94,255	(\$65,983)	\$28,272
Total Liabilities	\$0	\$94,255	(\$65,983)	\$28,272
<u>Tax Collections</u>				
Assets:				
Equity in Pooled Cash and Investments	\$0	\$176	(\$176)	\$0
Total Assets	\$0	\$176	(\$176)	\$0
Liabilities:				
Intergovernmental Payable	\$0	\$176	(\$176)	\$0
Total Liabilities	\$0	\$176	(\$176)	\$0
<u>Butler County Annexation Tax</u>				
Assets:				
Equity in Pooled Cash and Investments	\$52,917	\$112,280	(\$97,843)	\$67,354
Total Assets	\$52,917	\$112,280	(\$97,843)	\$67,354
Liabilities:				
Intergovernmental Payable	\$52,917	\$112,280	(\$97,843)	\$67,354
Total Liabilities	\$52,917	\$112,280	(\$97,843)	\$67,354
<u>Central Business Special Improvement District</u>				
Assets:				
Equity in Pooled Cash and Investments	\$8,952	\$143,639	(\$152,591)	\$0
Receivables:				
Taxes	24,381	17,022	(24,381)	17,022
Total Assets	\$33,333	\$160,661	(\$176,972)	\$17,022
Liabilities:				
Intergovernmental Payable	\$33,333	\$160,661	(\$176,972)	\$17,022
Total Liabilities	\$33,333	\$160,661	(\$176,972)	\$17,022

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2018***

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018
<u>Joint Economic Development District I</u>				
Assets:				
Equity in Pooled Cash and Investments	\$0	\$643,038	(\$631,208)	\$11,830
Total Assets	\$0	\$643,038	(\$631,208)	\$11,830
Liabilities:				
Intergovernmental Payable	\$0	\$643,038	(\$631,208)	\$11,830
Total Liabilities	\$0	\$643,038	(\$631,208)	\$11,830
<u>Joint Economic Development District II</u>				
Assets:				
Equity in Pooled Cash and Investments	\$0	\$561,598	(\$537,977)	\$23,621
Total Assets	\$0	\$561,598	(\$537,977)	\$23,621
Liabilities:				
Intergovernmental Payable	\$0	\$561,598	(\$537,977)	\$23,621
Total Liabilities	\$0	\$561,598	(\$537,977)	\$23,621
<u>Joint Economic Development District III</u>				
Assets:				
Equity in Pooled Cash and Investments	\$0	\$16,687	(\$16,582)	\$105
Total Assets	\$0	\$16,687	(\$16,582)	\$105
Liabilities:				
Intergovernmental Payable	\$0	\$16,687	(\$16,582)	\$105
Total Liabilities	\$0	\$16,687	(\$16,582)	\$105
<u>Fire Damage Deposit Escrow</u>				
Assets:				
Equity in Pooled Cash and Investments	\$157,397	\$116,262	(\$147,652)	\$126,007
Total Assets	\$157,397	\$116,262	(\$147,652)	\$126,007
Liabilities:				
Due to Others	\$157,397	\$116,262	(\$147,652)	\$126,007
Total Liabilities	\$157,397	\$116,262	(\$147,652)	\$126,007

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2018***

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018
<u>Police Property Room Forfeiture</u>				
Assets:				
Equity in Pooled Cash and Investments	\$224,363	\$108,707	(\$77,086)	\$255,984
Total Assets	<u>\$224,363</u>	<u>\$108,707</u>	<u>(\$77,086)</u>	<u>\$255,984</u>
Liabilities:				
Due to Others	\$224,363	\$108,707	(\$77,086)	\$255,984
Total Liabilities	<u>\$224,363</u>	<u>\$108,707</u>	<u>(\$77,086)</u>	<u>\$255,984</u>
<u>Municipal Court</u>				
Assets:				
Equity in Pooled Cash and Investments	\$215,606	\$3,295,819	(\$3,310,237)	\$201,188
Total Assets	<u>\$215,606</u>	<u>\$3,295,819</u>	<u>(\$3,310,237)</u>	<u>\$201,188</u>
Liabilities:				
Intergovernmental Payable	\$123,602	\$123,602	(\$123,602)	\$123,602
Due to Others	92,004	3,172,217	(3,186,635)	77,586
Total Liabilities	<u>\$215,606</u>	<u>\$3,295,819</u>	<u>(\$3,310,237)</u>	<u>\$201,188</u>
<u>Total - All Agency Funds</u>				
Assets:				
Equity in Pooled Cash and Investments	\$1,690,763	\$66,466,197	(\$66,253,005)	\$1,903,955
Receivables:				
Taxes	24,381	17,022	(24,381)	17,022
Total Assets	<u>\$1,715,144</u>	<u>\$66,483,219</u>	<u>(\$66,277,386)</u>	<u>\$1,920,977</u>
Liabilities:				
Accounts Payable	\$30,974	\$29,000	(\$30,974)	\$29,000
Intergovernmental Payable	1,140,558	2,660,596	(2,515,066)	1,286,088
Due to Others	543,612	63,793,623	(63,731,346)	605,889
Total Liabilities	<u>\$1,715,144</u>	<u>\$66,483,219</u>	<u>(\$66,277,386)</u>	<u>\$1,920,977</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)*

	2009	2010	2011	2012
			*	
Governmental Activities:				
Net Investment in Capital Assets	\$61,258,050	\$62,373,720	\$61,265,974	\$60,330,073
Restricted	14,612,944	14,372,832	12,456,507	9,033,196
Unrestricted (Deficit)	(711,156)	1,391,246	10,738,609	13,796,160
Total Governmental Activities Net Position	<u>\$75,159,838</u>	<u>\$78,137,798</u>	<u>\$84,461,090</u>	<u>\$83,159,429</u>
Business-type Activities:				
Net Investment in Capital Assets	\$95,260,611	\$96,155,478	\$92,584,709	\$88,211,121
Restricted	18,966,340	19,220,759	21,542,104	20,539,704
Unrestricted	38,675,708	41,348,470	45,878,883	53,287,953
Total Business-type Activities Net Position	<u>\$152,902,659</u>	<u>\$156,724,707</u>	<u>\$160,005,696</u>	<u>\$162,038,778</u>
Primary Government:				
Net Investment in Capital Assets	\$156,518,661	\$158,529,198	\$153,850,683	\$148,541,194
Restricted	33,579,284	33,593,591	33,998,611	29,572,900
Unrestricted	37,964,552	42,739,716	56,617,492	67,084,113
Total Primary Government Net Position	<u>\$228,062,497</u>	<u>\$234,862,505</u>	<u>\$244,466,786</u>	<u>\$245,198,207</u>

* Restated

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	*	*	*	
	2013	2014	2015	2016
Governmental Activities:				
Net Investment in Capital Assets	\$64,612,820	\$68,592,556	\$66,544,600	\$74,591,613
Restricted	9,974,060	6,720,442	8,178,159	6,212,366
Unrestricted (Deficit)	12,148,592	(25,249,747)	(28,081,791)	(34,082,733)
Total Governmental Activities Net Position	<u>\$86,735,472</u>	<u>\$50,063,251</u>	<u>\$46,640,968</u>	<u>\$46,721,246</u>
Business-type Activities:				
Net Investment in Capital Assets	\$101,543,663	\$107,423,550	\$100,463,100	\$196,783,938
Restricted	20,759,192	21,622,744	18,235,929	18,131,101
Unrestricted	44,971,490	24,981,821	29,658,800	62,635,431
Total Business-type Activities Net Position	<u>\$167,274,345</u>	<u>\$154,028,115</u>	<u>\$148,357,829</u>	<u>\$277,550,470</u>
Primary Government:				
Net Investment in Capital Assets	\$166,156,483	\$176,016,106	\$167,007,700	\$271,375,551
Restricted	30,733,252	28,343,186	26,414,088	24,343,467
Unrestricted	57,120,082	(267,926)	1,577,009	28,552,698
Total Primary Government Net Position	<u>\$254,009,817</u>	<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)*

	*	
	<u>2017</u>	<u>2018</u>
Governmental Activities:		
Net Investment in Capital Assets	\$82,073,889	\$69,635,711
Restricted	7,132,718	5,550,638
Unrestricted (Deficit)	<u>(82,974,765)</u>	<u>(73,239,898)</u>
Total Governmental Activities Net Position	<u>\$6,231,842</u>	<u>\$1,946,451</u>
 Business-type Activities:		
Net Investment in Capital Assets	\$196,590,931	\$191,875,521
Restricted	15,582,840	15,306,399
Unrestricted	<u>33,762,003</u>	<u>29,137,499</u>
Total Business-type Activities Net Position	<u>\$245,935,774</u>	<u>\$236,319,419</u>
 Primary Government:		
Net Investment in Capital Assets	\$278,664,820	\$261,511,232
Restricted	22,715,558	20,857,037
Unrestricted	<u>(49,212,762)</u>	<u>(44,102,399)</u>
Total Primary Government Net Position	<u>\$252,167,616</u>	<u>\$238,265,870</u>

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2009	2010	2011
Expenses			
Governmental Activities:			
General Government	\$6,352,352	\$5,096,822	\$5,991,786
Security of Persons and Property	32,717,128	33,222,968	32,949,502
Leisure Time Activities	2,319,113	2,457,896	1,970,218
Community Environment	4,088,119	5,147,583	2,902,576
Basic Utility Services	4,988,742	6,106,116	6,150,598
Transportation	4,937,607	5,543,369	6,605,053
Public Health and Welfare Services	1,391,995	1,187,775	1,163,297
Interest and Fiscal Charges	1,691,303	1,604,305	1,596,931
<i>Total Governmental Activities Expenses</i>	<u>58,486,359</u>	<u>60,366,834</u>	<u>59,329,961</u>
Business-type Activities:			
Gas Utility	29,632,664	25,598,234	21,777,870
Electric Utility	57,846,530	65,413,730	61,257,197
Water Utility	15,812,619	16,425,257	14,968,676
Wastewater Utility	11,640,859	11,546,069	11,441,639
<i>Total Business-type Activities Expenses</i>	<u>114,932,672</u>	<u>118,983,290</u>	<u>109,445,382</u>
<i>Total Primary Government Expenses</i>	<u>\$173,419,031</u>	<u>\$179,350,124</u>	<u>\$168,775,343</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,582,518	\$3,596,250	\$3,233,683
Security of Persons and Property	2,989,428	3,032,170	3,356,743
Leisure Time Activities	1,010,294	924,335	741,400
Community Environment	520,120	675,986	575,603
Basic Utility Services	5,193,803	5,472,370	5,480,531
Transportation	929,203	802,245	737,819
Public Health and Welfare Services	260,472	265,739	248,189
Operating Grants and Contributions	6,094,561	7,464,150	6,122,577
Capital Grants and Contributions	1,036,590	2,204,021	2,800,483
<i>Total Governmental Activities Program Revenues</i>	<u>21,616,989</u>	<u>24,437,266</u>	<u>23,297,028</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2012	2013	2014
Expenses			
Governmental Activities:			
General Government	\$7,057,730	\$6,846,691	\$5,495,659
Security of Persons and Property	31,282,855	29,179,575	27,645,337
Leisure Time Activities	2,247,173	2,552,980	2,828,054
Community Environment	3,397,734	4,757,333	4,341,261
Basic Utility Services	5,809,490	5,696,920	6,088,052
Transportation	6,157,603	5,644,999	5,878,181
Public Health and Welfare Services	1,061,241	1,081,832	1,206,052
Interest and Fiscal Charges	1,439,838	973,805	992,213
<i>Total Governmental Activities Expenses</i>	<u>58,453,664</u>	<u>56,734,135</u>	<u>54,474,809</u>
Business-type Activities:			
Gas Utility	16,850,289	24,873,444	31,175,555
Electric Utility	60,661,556	57,515,509	64,245,951
Water Utility	14,909,166	14,605,296	13,741,329
Wastewater Utility	11,872,627	12,256,376	11,602,824
<i>Total Business-type Activities Expenses</i>	<u>104,293,638</u>	<u>109,250,625</u>	<u>120,765,659</u>
<i>Total Primary Government Expenses</i>	<u>\$162,747,302</u>	<u>\$165,984,760</u>	<u>\$175,240,468</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,345,900	\$3,315,895	\$3,252,331
Security of Persons and Property	3,678,374	2,804,466	2,963,747
Leisure Time Activities	1,122,766	1,200,984	1,284,944
Community Environment	806,118	746,272	611,630
Basic Utility Services	5,666,718	5,903,259	5,933,181
Transportation	698,865	645,653	591,655
Public Health and Welfare Services	237,768	253,046	232,987
Operating Grants and Contributions	6,402,940	8,740,661	5,925,099
Capital Grants and Contributions	1,138,969	1,573,747	1,973,789
<i>Total Governmental Activities Program Revenues</i>	<u>23,098,418</u>	<u>25,183,983</u>	<u>22,769,363</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2015	2016	2017
Expenses			
Governmental Activities:			
General Government	\$11,972,665	\$13,748,213	\$10,793,974
Security of Persons and Property	29,109,984	29,364,275	32,248,544
Leisure Time Activities	2,788,945	2,655,781	2,872,495
Community Environment	3,213,932	2,156,324	2,638,446
Basic Utility Services	6,779,008	5,986,601	6,692,126
Transportation	5,496,120	5,398,871	5,418,564
Public Health and Welfare Services	1,542,573	1,392,658	1,876,111
Interest and Fiscal Charges	1,075,144	1,136,751	1,142,343
<i>Total Governmental Activities Expenses</i>	<u>61,978,371</u>	<u>61,839,474</u>	<u>63,682,603</u>
Business-type Activities:			
Gas Utility	22,071,290	20,059,695	20,169,139
Electric Utility	65,637,974	73,482,880	85,518,469
Water Utility	14,563,899	14,948,562	16,234,311
Wastewater Utility	12,065,377	13,232,904	13,359,997
<i>Total Business-type Activities Expenses</i>	<u>114,338,540</u>	<u>121,724,041</u>	<u>135,281,916</u>
<i>Total Primary Government Expenses</i>	<u>\$176,316,911</u>	<u>\$183,563,515</u>	<u>\$198,964,519</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,183,357	\$3,666,535	\$4,154,625
Security of Persons and Property	3,055,722	3,195,876	3,323,603
Leisure Time Activities	1,209,724	1,098,407	1,128,081
Community Environment	456,883	789,256	333,476
Basic Utility Services	5,839,079	6,031,405	6,451,263
Transportation	659,797	683,059	859,246
Public Health and Welfare Services	222,113	224,444	213,411
Operating Grants and Contributions	5,584,899	4,469,691	4,556,837
Capital Grants and Contributions	2,880,774	3,186,797	3,504,621
<i>Total Governmental Activities Program Revenues</i>	<u>23,092,348</u>	<u>23,345,470</u>	<u>24,525,163</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	<u>2018</u>
Expenses	
Governmental Activities:	
General Government	\$7,716,575
Security of Persons and Property	35,283,600
Leisure Time Activities	2,880,127
Community Environment	2,409,400
Basic Utility Services	7,500,327
Transportation	8,072,742
Public Health and Welfare Services	1,525,836
Interest and Fiscal Charges	1,383,549
<i>Total Governmental Activities Expenses</i>	<u>66,772,156</u>
Business-type Activities:	
Gas Utility	22,634,644
Electric Utility	86,543,649
Water Utility	15,631,654
Wastewater Utility	15,037,103
<i>Total Business-type Activities Expenses</i>	<u>139,847,050</u>
<i>Total Primary Government Expenses</i>	<u><u>\$206,619,206</u></u>
Program Revenues	
Governmental Activities:	
Charges for Services	
General Government	\$4,132,094
Security of Persons and Property	3,355,144
Leisure Time Activities	1,084,312
Community Environment	473,146
Basic Utility Services	6,551,126
Transportation	846,517
Public Health and Welfare Services	224,750
Operating Grants and Contributions	3,508,525
Capital Grants and Contributions	2,800,741
<i>Total Governmental Activities Program Revenues</i>	<u>22,976,355</u>

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2009	2010	2011
Business-type Activities:			
Charges for Services			
Gas Utility	31,662,109	26,793,820	21,930,366
Electric Utility	61,177,918	64,552,173	63,327,834
Water Utility	14,231,316	14,815,360	14,948,140
Wastewater Utility	10,722,481	11,203,887	12,302,310
Operating Grants and Contributions	0	0	0
Capital Grants and Contributions	0	652,642	40,500
<i>Total Business-type Activities Program Revenues</i>	<u>117,793,824</u>	<u>118,017,882</u>	<u>112,549,150</u>
<i>Total Primary Government Program Revenues</i>	<u>139,410,813</u>	<u>142,455,148</u>	<u>135,846,178</u>
Net (Expense)/Revenue			
Governmental Activities	(36,869,370)	(35,929,568)	(36,032,933)
Business-type Activities	2,861,152	(965,408)	3,103,768
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$34,008,218)</u>	<u>(\$36,894,976)</u>	<u>(\$32,929,165)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$22,555,364	\$22,230,625	\$21,912,270
Property and Other Local Taxes	9,688,166	9,142,263	9,024,254
Intergovernmental, Unrestricted	4,827,624	5,674,578	10,357,132
Investment Earnings	143,617	100,931	98,396
Miscellaneous	1,846,956	1,184,131	964,173
Transfers	492,500	0	0
<i>Total Governmental Activities</i>	<u>39,554,227</u>	<u>38,332,528</u>	<u>42,356,225</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	40,816	25,222	2,086
Investment Earnings	602,636	392,067	275,171
Transfers	(492,500)	0	0
Special Items	0	3,888,044	0
<i>Total Business-type Activities</i>	<u>150,952</u>	<u>4,305,333</u>	<u>277,257</u>
<i>Total Primary Government</i>	<u>\$39,705,179</u>	<u>\$42,637,861</u>	<u>\$42,633,482</u>
Change in Net Position			
Governmental Activities	\$2,684,857	\$2,402,960	\$6,323,292
Business-type Activities	3,012,104	3,339,925	3,381,025
<i>Total Primary Government Change in Net Position</i>	<u>\$5,696,961</u>	<u>\$5,742,885</u>	<u>\$9,704,317</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2012	2013	2014
Business-type Activities:			
Charges for Services			
Gas Utility	16,574,138	24,742,117	29,369,479
Electric Utility	62,172,965	60,346,033	61,577,164
Water Utility	14,749,579	14,656,538	14,865,682
Wastewater Utility	12,068,156	11,779,979	12,037,408
Operating Grants and Contributions	0	0	0
Capital Grants and Contributions	200,000	0	713,516
<i>Total Business-type Activities Program Revenues</i>	<u>105,764,838</u>	<u>111,524,667</u>	<u>118,563,249</u>
<i>Total Primary Government Program Revenues</i>	<u>128,863,256</u>	<u>136,708,650</u>	<u>141,332,612</u>
Net (Expense)/Revenue			
Governmental Activities	(35,355,246)	(31,550,152)	(31,705,446)
Business-type Activities	1,471,200	2,274,042	(2,202,410)
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$33,884,046)</u>	<u>(\$29,276,110)</u>	<u>(\$33,907,856)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$21,259,474	\$22,310,512	\$23,354,264
Property and Other Local Taxes	8,969,655	8,961,444	8,709,596
Intergovernmental, Unrestricted	3,112,982	3,210,419	2,674,829
Investment Earnings	76,967	(69,511)	253,825
Miscellaneous	913,202	751,688	1,021,094
Transfers	(278,695)	0	0
<i>Total Governmental Activities</i>	<u>34,053,585</u>	<u>35,164,552</u>	<u>36,013,608</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	0	0	0
Investment Earnings	283,187	73,168	1,053,605
Transfers	278,695	0	0
Special Items	0	2,850,000	0
<i>Total Business-type Activities</i>	<u>561,882</u>	<u>2,923,168</u>	<u>1,053,605</u>
<i>Total Primary Government</i>	<u>\$34,615,467</u>	<u>\$38,087,720</u>	<u>\$37,067,213</u>
Change in Net Position			
Governmental Activities	(\$1,301,661)	\$3,614,400	\$4,308,162
Business-type Activities	2,033,082	5,197,210	(1,148,805)
<i>Total Primary Government Change in Net Position</i>	<u>\$731,421</u>	<u>\$8,811,610</u>	<u>\$3,159,357</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2015	2016	2017
Business-type Activities:			
Charges for Services			
Gas Utility	21,979,425	19,086,678	18,482,683
Electric Utility	64,619,906	66,319,492	70,567,830
Water Utility	12,550,024	13,088,389	13,390,954
Wastewater Utility	11,821,865	12,385,219	12,368,579
Operating Grants and Contributions	0	743,247	743,577
Capital Grants and Contributions	0	0	0
<i>Total Business-type Activities Program Revenues</i>	<u>110,971,220</u>	<u>111,623,025</u>	<u>115,553,623</u>
<i>Total Primary Government Program Revenues</i>	<u>134,063,568</u>	<u>134,968,495</u>	<u>140,078,786</u>
Net (Expense)/Revenue			
Governmental Activities	(38,886,023)	(38,494,004)	(39,157,440)
Business-type Activities	<u>(3,367,320)</u>	<u>(10,101,016)</u>	<u>(19,728,293)</u>
<i>Total Primary Government Net (Expense)/Revenue</i>	<u><u>(\$42,253,343)</u></u>	<u><u>(\$48,595,020)</u></u>	<u><u>(\$58,885,733)</u></u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$24,852,412	\$25,970,527	\$25,664,959
Property and Other Local Taxes	8,959,287	8,627,124	8,581,044
Intergovernmental, Unrestricted	2,691,164	2,342,386	2,206,014
Investment Earnings	114,686	28,749	196,209
Miscellaneous	1,635,091	1,605,496	1,509,998
Transfers	(46,727)	0	0
<i>Total Governmental Activities</i>	<u>38,205,913</u>	<u>38,574,282</u>	<u>38,158,224</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	0	2,952	0
Investment Earnings	317,485	290,705	781,792
Transfers	46,727	0	0
Special Items	0	139,000,000	0
<i>Total Business-type Activities</i>	<u>364,212</u>	<u>139,293,657</u>	<u>781,792</u>
<i>Total Primary Government</i>	<u><u>\$38,570,125</u></u>	<u><u>\$177,867,939</u></u>	<u><u>\$38,940,016</u></u>
Change in Net Position			
Governmental Activities	(\$680,110)	\$80,278	(\$999,216)
Business-type Activities	<u>(3,003,108)</u>	<u>129,192,641</u>	<u>(18,946,501)</u>
<i>Total Primary Government Change in Net Position</i>	<u><u>(\$3,683,218)</u></u>	<u><u>\$129,272,919</u></u>	<u><u>(\$19,945,717)</u></u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2018
Business-type Activities:	
Charges for Services	
Gas Utility	21,756,412
Electric Utility	79,889,209
Water Utility	13,904,531
Wastewater Utility	12,653,041
Operating Grants and Contributions	744,842
Capital Grants and Contributions	0
<i>Total Business-type Activities Program Revenues</i>	128,948,035
<i>Total Primary Government Program Revenues</i>	151,924,390
Net (Expense)/Revenue	
Governmental Activities	(43,795,801)
Business-type Activities	(10,899,015)
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$54,694,816)
General Revenues and Other Changes in Net Position	
Governmental Activities:	
Income Taxes	\$26,716,305
Property and Other Local Taxes	8,999,351
Intergovernmental, Unrestricted	2,281,996
Investment Earnings	314,480
Miscellaneous	1,198,278
Transfers	0
<i>Total Governmental Activities</i>	39,510,410
Business-type Activities:	
Other Local Taxes (kWh Tax)	0
Investment Earnings	1,282,660
Transfers	0
Special Items	0
<i>Total Business-type Activities</i>	1,282,660
<i>Total Primary Government</i>	\$40,793,070
Change in Net Position	
Governmental Activities	(\$4,285,391)
Business-type Activities	(9,616,355)
<i>Total Primary Government Change in Net Position</i>	(\$13,901,746)

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2009	2010	2011	2012
General Fund				
Nonspendable	\$0	\$0	\$212,005	\$150,276
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	0	0	1,586,391	2,797,712
Unassigned	0	0	10,108,616	7,014,183
Reserved	320,800	647,346	0	0
Unreserved	2,234,918	4,604,450	0	0
Total General Fund	2,555,718	5,251,796	11,907,012	9,962,171
All Other Governmental Funds				
Nonspendable	\$0	\$0	\$134,858	\$120,806
Restricted	0	0	10,764,914	7,315,026
Committed	0	0	3,035,715	3,592,878
Assigned	0	0	2,659,700	3,078,130
Unassigned	0	0	(972,421)	(498,843)
Reserved	1,251,859	2,588,395	0	0
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	9,652,045	7,632,072	0	0
Debt Service Funds	519,843	639,917	0	0
Capital Projects Funds	4,592,911	4,738,598	0	0
Total All Other Governmental Funds	16,016,658	15,598,982	15,622,766	13,607,997
Total Governmental Funds	\$18,572,376	\$20,850,778	\$27,529,778	\$23,570,168

(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)*

	*			
	2013	2014	2015	2016
General Fund				
Nonspendable	\$157,427	\$257,910	\$273,120	\$270,135
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	2,591,073	3,513,033	2,027,119	1,598,710
Unassigned	8,272,712	7,986,708	11,602,256	7,267,975
Reserved	0	0	0	0
Unreserved	0	0	0	0
<i>Total General Fund</i>	<u>11,021,212</u>	<u>11,757,651</u>	<u>13,902,495</u>	<u>9,136,820</u>
All Other Governmental Funds				
Nonspendable	\$128,399	\$173,681	\$169,184	\$176,403
Restricted	14,833,337	9,753,522	5,294,588	2,748,424
Committed	4,031,504	4,492,651	4,386,446	4,438,845
Assigned	2,240,056	3,386,345	843,659	103,101
Unassigned	(473,703)	(98,694)	(36,116)	(391,739)
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
<i>Total All Other Governmental Funds</i>	<u>20,759,593</u>	<u>17,707,505</u>	<u>10,657,761</u>	<u>7,075,034</u>
<i>Total Governmental Funds</i>	<u><u>\$31,780,805</u></u>	<u><u>\$29,465,156</u></u>	<u><u>\$24,560,256</u></u>	<u><u>\$16,211,854</u></u>

(continued)

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2017</u>	<u>2018</u>
General Fund		
Nond spendable	\$241,555	\$272,307
Restricted	0	0
Committed	0	0
Assigned	2,141,318	3,735,047
Unassigned	5,504,248	12,434,523
Reserved	0	0
Unreserved	<u>0</u>	<u>0</u>
<i>Total General Fund</i>	<u>7,887,121</u>	<u>16,441,877</u>
All Other Governmental Funds		
Nond spendable	\$167,074	\$161,087
Restricted	3,607,737	2,495,813
Committed	3,901,117	3,893,237
Assigned	5,255	490,909
Unassigned	(5,155,483)	(2,900,490)
Reserved	0	0
Unreserved, Undesignated, Reported in:		
Special Revenue Funds	0	0
Debt Service Funds	0	0
Capital Projects Funds	<u>0</u>	<u>0</u>
<i>Total All Other Governmental Funds</i>	<u>2,525,700</u>	<u>4,140,556</u>
<i>Total Governmental Funds</i>	<u><u>\$10,412,821</u></u>	<u><u>\$20,582,433</u></u>

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2009	2010	2011	2012
Revenues:				
Taxes	\$32,187,244	\$31,926,401	\$30,848,001	\$30,240,129
Intergovernmental Revenues	13,171,624	15,353,253	19,480,722	10,997,434
Charges for Services	11,940,972	12,018,069	11,893,521	12,659,606
Licenses and Permits	900,996	1,026,594	857,177	981,700
Investment Earnings	143,617	100,931	98,396	76,967
Special Assessments	515,488	686,661	563,674	811,933
Fines and Forfeitures	1,080,015	1,017,725	1,066,910	1,130,278
All Other Revenue	2,041,280	1,226,936	964,173	913,202
Total Revenues	<u>61,981,236</u>	<u>63,356,570</u>	<u>65,772,574</u>	<u>57,811,249</u>
Expenditures:				
Current:				
General Government	5,628,443	3,965,793	5,089,992	6,121,906
Security of Persons and Property	31,100,200	31,574,695	30,807,813	30,141,708
Leisure Time Activities	2,059,769	2,202,403	1,662,185	1,973,297
Community Environment	4,114,757	5,013,534	2,754,638	3,315,185
Basic Utility Services	4,879,843	5,945,443	5,821,649	5,696,091
Transportation	2,650,327	3,336,713	3,924,752	3,762,769
Public Health and Welfare Services	1,356,162	1,219,842	1,115,975	1,035,886
Capital Outlay	2,084,004	4,383,743	6,762,309	5,461,124
Debt Service:				
Principal Retirement	2,045,000	2,425,000	2,485,000	2,695,000
Interest and Fiscal Charges	1,679,943	1,573,877	1,750,626	1,274,719
Total Expenditures	<u>57,598,448</u>	<u>61,641,043</u>	<u>62,174,939</u>	<u>61,477,685</u>
Excess (Deficiency) of Revenues Over Expenditures	4,382,788	1,715,527	3,597,635	(3,666,436)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2013	2014	2015	2016
Revenues:				
Taxes	\$30,392,344	\$31,793,857	\$33,637,684	\$34,425,266
Intergovernmental Revenues	13,552,982	10,403,668	10,354,357	10,075,259
Charges for Services	12,367,803	12,274,857	12,210,156	12,746,544
Licenses and Permits	935,844	1,036,845	1,018,831	1,086,953
Investment Earnings	(59,847)	253,825	114,686	28,749
Special Assessments	668,686	626,396	457,761	452,533
Fines and Forfeitures	821,866	947,713	944,175	1,063,974
All Other Revenue	751,688	1,021,094	1,635,091	1,880,496
Total Revenues	59,431,366	58,358,255	60,372,741	61,759,774
Expenditures:				
Current:				
General Government	6,456,639	4,599,445	5,203,607	10,186,194
Security of Persons and Property	27,840,266	26,527,614	26,548,711	27,434,430
Leisure Time Activities	2,731,042	2,406,632	2,427,067	2,318,248
Community Environment	4,639,097	4,195,166	3,004,125	2,162,524
Basic Utility Services	5,621,039	5,847,541	6,354,117	8,344,578
Transportation	3,496,658	3,761,881	3,161,989	4,109,609
Public Health and Welfare Services	1,042,523	1,144,033	1,455,638	1,398,872
Capital Outlay	6,069,186	8,688,731	14,304,429	11,282,845
Debt Service:				
Principal Retirement	2,365,000	2,405,000	2,559,963	3,208,002
Interest and Fiscal Charges	1,187,163	1,134,543	1,217,255	1,283,266
Total Expenditures	61,448,613	60,710,586	66,236,901	71,728,568
Excess (Deficiency) of Revenues Over Expenditures	(2,017,247)	(2,352,331)	(5,864,160)	(9,968,794)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2017</u>	<u>2018</u>
Revenues:		
Taxes	\$34,475,333	\$35,923,106
Intergovernmental Revenues	10,152,144	8,965,068
Charges for Services	14,098,978	13,941,420
Licenses and Permits	1,110,347	1,307,990
Investment Earnings	196,209	314,480
Special Assessments	345,325	613,095
Fines and Forfeitures	923,483	942,788
All Other Revenue	1,509,998	1,198,278
Total Revenues	<u>62,811,817</u>	<u>63,206,225</u>
Expenditures:		
Current:		
General Government	7,066,643	5,257,017
Security of Persons and Property	28,794,336	29,505,532
Leisure Time Activities	2,536,998	2,461,376
Community Environment	2,406,167	2,283,037
Basic Utility Services	8,644,891	7,196,824
Transportation	3,226,018	3,365,740
Public Health and Welfare Services	1,679,277	1,406,363
Capital Outlay	12,560,558	10,094,186
Debt Service:		
Principal Retirement	12,215,116	2,604,211
Interest and Fiscal Charges	1,183,980	1,296,558
Total Expenditures	<u>80,313,984</u>	<u>65,470,844</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,502,167)	(2,264,619)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2009	2010	2011	2012
Other Financing Sources (Uses):				
Sale of Capital Assets	61,196	0	49,451	418
Ohio Water Development Authority Loans	0	0	0	0
Loan Issuance	0	0	0	0
Bonds and Notes Issued	4,920,000	0	2,535,000	0
Premium on General Obligation Bonds	142,501	0	1,709,955	0
Discount on General Obligation Bonds	(42,930)	0	0	0
Refunding Bonds Issued	2,235,000	0	18,360,000	0
Refunded Bonds Redeemed	(2,257,022)	0	(19,621,590)	0
Transfers In	11,407,779	5,119,036	4,214,964	8,844,112
Transfers Out	(10,915,279)	(5,119,036)	(4,214,964)	(9,122,807)
Total Other Financing Sources (Uses)	<u>5,551,245</u>	<u>0</u>	<u>3,032,816</u>	<u>(278,277)</u>
Net Change in Fund Balance	<u>\$9,934,033</u>	<u>\$1,715,527</u>	<u>\$6,630,451</u>	<u>(\$3,944,713)</u>
Debt Service as a Percentage of Noncapital Expenditures	6.65%	6.81%	7.22%	6.91%

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2013	2014	2015	2016
Other Financing Sources (Uses):				
Sale of Capital Assets	115,852	29,359	65,721	15,336
Ohio Water Development Authority Loans	0	0	0	1,592,766
Loan Issuance	9,500,000	0	700,000	0
Bonds and Notes Issued	0	0	0	0
Premium on General Obligation Bonds	0	0	0	0
Discount on General Obligation Bonds	0	0	0	0
Refunding Bonds Issued	0	0	0	0
Refunded Bonds Redeemed	0	0	0	0
Transfers In	7,500,414	11,699,277	10,725,880	10,319,607
Transfers Out	(7,500,414)	(11,699,277)	(10,522,975)	(10,319,607)
Total Other Financing Sources (Uses)	<u>9,615,852</u>	<u>29,359</u>	<u>968,626</u>	<u>1,608,102</u>
Net Change in Fund Balance	<u>\$7,598,605</u>	<u>(\$2,322,972)</u>	<u>(\$4,895,534)</u>	<u>(\$8,360,692)</u>
Debt Service as a Percentage of Noncapital Expenditures	6.30%	6.59%	6.78%	7.50%

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2017</u>	<u>2018</u>
Other Financing Sources (Uses):		
Sale of Capital Assets	22,411	750,708
Ohio Water Development Authority Loans	0	0
Loan Issuance	1,427,128	266,705
Bonds and Notes Issued	1,196,214	11,470,000
Premium on General Obligation Bonds	0	242
Discount on General Obligation Bonds	0	(54,429)
Refunding Bonds Issued	23,141,416	0
Refunded Bonds Redeemed	(14,087,879)	0
Transfers In	6,973,964	14,002,163
Transfers Out	(6,973,964)	(14,002,163)
Total Other Financing Sources (Uses)	<u>11,699,290</u>	<u>12,433,226</u>
Net Change in Fund Balance	<u>(\$5,802,877)</u>	<u>\$10,168,607</u>
Debt Service as a Percentage of Noncapital Expenditures	19.58%	6.60%

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Property				
Assessed	\$950,210,110	\$900,434,690	\$889,863,130	\$822,899,950
Actual	2,714,886,029	2,572,670,543	2,542,466,086	2,351,142,714
Public Utility				
Assessed	2,719,800	2,461,240	5,891,190	5,798,610
Actual	2,719,800	2,461,240	5,891,190	5,798,610
Total				
Assessed	952,929,910	902,895,930	895,754,320	828,698,560
Actual	2,717,605,829	2,575,131,783	2,548,357,276	2,356,941,324
Assessed Value as a Percentage of Actual Value	35.07%	35.06%	35.15%	35.16%
Total Direct Tax Rate	\$7.16	\$7.16	\$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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Real Property				
Assessed	\$805,839,810	\$753,521,500	\$747,624,230	\$744,751,530
Actual	2,302,399,457	2,152,918,571	2,136,069,229	2,127,861,514
Public Utility				
Assessed	4,726,410	4,763,000	4,937,810	5,062,790
Actual	4,726,410	4,763,000	4,937,810	5,062,790
Total				
Assessed	810,566,220	758,284,500	752,562,040	749,814,320
Actual	2,307,125,867	2,157,681,571	2,141,007,039	2,132,924,304
Assessed Value as a Percentage of Actual Value	35.13%	35.14%	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>2017</u>	<u>2018</u>
Real Property		
Assessed	\$789,655,500	\$788,116,750
Actual	2,256,158,571	2,251,762,143
Public Utility		
Assessed	5,309,340	5,738,750
Actual	5,309,340	5,738,750
Total		
Assessed	794,964,840	793,855,500
Actual	2,261,467,911	2,257,500,893
Assessed Value as a Percentage of Actual Value	35.15%	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	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Taxes Levied for the Calendar Year	\$6,582,443	\$6,159,369	\$5,808,362	\$5,459,714
Collected within the Calendar Year of the Levy				
Amount	6,341,037	5,755,139	5,449,604	5,152,127
Percent of Levy	96.33%	93.44%	93.82%	94.37%
Collections in Subsequent Years (1)	371,397	211,476	236,932	262,971
Total Collections to Date				
Amount	6,712,434	5,966,615	5,686,536	5,415,098
Percent of Levy	101.97%	96.87%	97.90%	99.18%

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Taxes Levied for the Calendar Year	\$5,409,302	\$5,349,390	\$5,091,799	\$5,060,320
Collected within the Calendar Year of the Levy				
Amount	5,042,759	5,043,851	4,837,997	4,845,600
Percent of Levy	93.22%	94.29%	95.02%	95.76%
Collections in Subsequent Years (1)	231,531	258,114	262,126	221,457
Total Collections to Date				
Amount	5,274,290	5,301,965	5,100,123	5,067,057
Percent of Levy	97.50%	99.11%	100.16%	100.13%

(continued)

CITY OF HAMILTON, OHIO

*Property Tax Levies and Collections
Last Ten Calendar Years*

Calendar Year	<u>2017</u>	<u>2018</u>
Taxes Levied for the Calendar Year	\$5,046,008	\$5,268,044
Collected within the Calendar Year of the Levy		
Amount	4,847,791	5,048,100
Percent of Levy	96.07%	95.82%
Collections in Subsequent Years (1)	245,331	237,315
Total Collections to Date		
Amount	5,093,122	5,285,415
Percent of Levy	100.93%	100.33%

CITY OF HAMILTON, OHIO

*Direct and Overlapping
Property Tax Rates
Last Ten Calendar Years*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</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	0.35	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>7.16</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	53.42	53.61
Butler County	10.45	9.75	9.75	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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</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	55.61	54.81	54.81	54.31	53.81
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	2018	
		Assessed Value	Percentage of Total Assessed Value
Bethesda Hospital	Healthcare	\$6,354,820	0.80%
Colonial Senior Services	Healthcare	5,421,420	0.68%
Pedcor Investments	Investments	4,648,790	0.59%
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%
Wish Village Apartments	Real Estate	3,157,690	0.40%
Duke Energy	Utility	3,034,150	0.38%
Meijer Stores	Retail	2,502,510	0.32%
DCT Symmes Road	Real Estate	2,449,710	0.31%
	Sub-Total	38,567,870	4.86%
	All Others	755,287,630	95.14%
	Total	<u>\$793,855,500</u>	<u>100.00%</u>

Tax Payer	Nature of Business	2009	
		Assessed Value	Percentage of Total Assessed Value
Tippman Realty PRT	Real Estate	\$5,972,770	0.63%
Shadow Creek Apts	Real Estate	5,126,050	0.54%
Colonial Senior Services	Healthcare	4,585,040	0.48%
AHP-Knollwood Crossing	Real Estate	4,403,310	0.46%
Pedcor Investments	Investments	4,006,940	0.42%
Meijer Stores LTD PRT	Retail	3,535,010	0.37%
Hamilton Plaza LLC ETAL	Real Estate	3,444,120	0.36%
Hatteras Properties	Real Estate	3,307,570	0.35%
VCG-Hamilton Crossings	Real Estate	3,079,320	0.32%
SD Country Walk Sub LLC	Real Estate	2,939,120	0.31%
	Sub-Total	40,399,250	4.24%
	All Others	912,530,660	95.76%
	Total	<u>\$952,929,910</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund (1)	\$17,656,771	\$17,442,410	\$17,046,349	\$16,874,253
Public Safety / Health Income Tax Fund (2)	2,877,197	2,841,970	2,777,128	2,749,995
Hamilton Capital Improvement Fund (3)	2,301,757	2,273,576	2,221,702	2,199,995
Total	<u>\$22,835,725</u>	<u>\$22,557,956</u>	<u>\$22,045,179</u>	<u>\$21,824,243</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund (1)	\$17,464,829	\$17,840,205	\$19,347,853	\$20,442,128
Public Safety / Health Income Tax Fund (2)	2,844,699	2,897,290	3,120,623	3,297,119
Hamilton Capital Improvement Fund (3)	2,275,758	2,317,831	2,496,498	2,637,695
Total	<u>\$22,585,286</u>	<u>\$23,055,326</u>	<u>\$24,964,974</u>	<u>\$26,376,942</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>2017</u>	<u>2018</u>
General Fund (1)	\$20,597,611	\$21,195,154
Public Safety / Health Income Tax Fund (2)	3,322,196	3,416,956
Hamilton Capital Improvement Fund (3)	<u>2,657,757</u>	<u>2,733,479</u>
Total	<u>\$26,577,564</u>	<u>\$27,345,589</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	2018 Rank
Butler County Auditor	Government	1
Hamilton City School District	Education	2
Kettering Medical Center Network	Healthcare	3
ThyssenKrupp Bilstein of America Inc.	Manufacturing	4
City of Hamilton	Government	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	2009 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*

	2009	2010	2011	2012
Governmental Activities (1)				
General Obligation Bonds Payable	\$31,964,738	\$29,828,806	\$30,426,579	\$28,115,485
Income Tax Revenue Bonds Payable	0	0	0	0
Special Assessment Bonds Payable	1,935,000	1,650,000	1,400,000	1,195,000
OWDA Loans Payable	0	0	0	0
Loans Payable	0	0	0	0
Business-type Activities (1)				
Water Revenue Bonds Payable	\$26,321,193	\$25,623,614	\$24,810,415	\$24,706,460
OWDA Loans Payable	0	431,837	416,213	400,077
OPWC Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Gas Bonds Payable	11,845,845	10,782,428	9,655,749	8,588,256
Enterprise Notes Payable	0	0	5,900,000	10,690,000
Electric Revenue Bonds Payable	169,384,333	163,238,287	156,835,006	153,774,110
Wastewater Bonds Payable	33,073,131	31,763,637	59,865,579	58,384,649
 Total Primary Government	 <u>\$274,524,240</u>	 <u>\$263,318,609</u>	 <u>\$289,309,541</u>	 <u>\$285,854,037</u>
 Population (2)				
City of Hamilton	60,690	62,477	62,795	62,295
Outstanding Debt Per Capita	\$4,523	\$4,215	\$4,607	\$4,589
 Income (3)				
Personal (in thousands) (a)	11,533,094	12,975,478	13,652,278	14,375,201
Percentage of Personal Income	2.38%	2.03%	2.12%	1.99%

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*

	2013	2014	2015	2016
Governmental Activities (1)				
General Obligation Bonds Payable	\$25,701,350	\$23,258,690	\$20,762,700	\$18,218,564
Income Tax Revenue Bonds Payable	0	0	0	0
Special Assessment Bonds Payable	1,060,000	920,000	770,000	625,000
OWDA Loans Payable	0	0	0	1,592,766
Loans Payable	9,500,000	9,500,000	10,115,037	9,432,035
Business-type Activities (1)				
Water Revenue Bonds Payable	\$23,655,911	\$22,574,819	\$28,817,338	\$28,116,322
OWDA Loans Payable	383,412	366,201	339,322	334,401
OPWC Loans Payable	0	0	0	3,869,759
General Obligation Bonds Payable	0	0	0	0
Gas Bonds Payable	7,268,857	5,895,337	4,467,672	4,221,385
Enterprise Notes Payable	10,690,000	10,690,000	103,695,000	0
Electric Revenue Bonds Payable	146,129,261	137,642,002	30,924,820	30,111,546
Wastewater Bonds Payable	56,274,683	54,084,065	51,824,871	49,533,503
 Total Primary Government	 <u>\$280,663,474</u>	 <u>\$264,931,114</u>	 <u>\$251,716,760</u>	 <u>\$146,055,281</u>
 Population (2)				
City of Hamilton	62,477	62,258	62,486	62,359
Outstanding Debt Per Capita	\$4,492	\$4,255	\$4,028	\$2,342
 Income (3)				
Personal (in thousands) (a)	14,468,982	14,592,475	15,294,831	15,631,343
Percentage of Personal Income	1.94%	1.82%	1.65%	0.93%

(continued)

CITY OF HAMILTON, OHIO

*Ratios of Outstanding Debt By Type
Last Ten Years*

	2017	2018
Governmental Activities (1)		
General Obligation Bonds Payable	\$3,211,639	\$14,057,373
Income Tax Revenue Bonds Payable	22,789,549	20,915,338
Special Assessment Bonds Payable	470,000	305,000
OWDA Loans Payable	3,019,894	3,286,599
Loans Payable	0	0
Business-type Activities (1)		
Water Revenue Bonds Payable	\$21,738,885	\$30,014,128
OWDA Loans Payable	1,243,921	1,868,038
OPWC Loans Payable	4,967,531	7,142,237
General Obligation Bonds Payable	0	555,000
Gas Bonds Payable	5,770,000	6,965,000
Enterprise Notes Payable	45,220,000	0
Electric Revenue Bonds Payable	16,269,523	28,883,975
Wastewater Bonds Payable	21,484,866	45,495,404
Total Primary Government	<u>\$146,185,808</u>	<u>\$159,488,092</u>
Population (2)		
City of Hamilton	62,127	62,092
Outstanding Debt Per Capita	\$2,353	\$2,569
Income (3)		
Personal (in thousands) (a)	15,680,621	16,197,532
Percentage of Personal Income	0.93%	0.98%

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2009	2010	2011	2012
Population (1)	60,690	62,477	62,795	62,295
Actual Value (in thousands) (2)	\$2,717,606	\$2,575,132	\$2,548,357	\$2,356,941
General Bonded Debt (3)				
General Obligation Bonds	\$31,964,738	\$29,828,806	\$30,426,579	\$28,115,485
Total General Bonded Debt	\$31,964,738	\$29,828,806	\$30,426,579	\$28,115,485
Resources Available to Pay Principal	\$0	\$0	\$0	\$0
Net General Bonded Debt	\$31,964,738	\$29,828,806	\$30,426,579	\$28,115,485
Ratio of Net Bonded Debt to Estimated Actual Value	1.18%	1.16%	1.19%	1.19%
Net Bonded Debt per Capita	\$526.69	\$477.44	\$484.54	\$451.33

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	2013	2014	2015	2016
Population (1)	62,477	62,258	62,486	62,359
Actual Value (in thousands) (2)	\$2,307,126	\$2,157,682	\$2,141,007	\$2,132,924
General Bonded Debt (3)				
General Obligation Bonds	\$25,701,350	\$23,258,690	\$20,762,700	\$18,218,564
Total General Bonded Debt	\$25,701,350	\$23,258,690	\$20,762,700	\$18,218,564
Resources Available to Pay Principal	\$0	\$0	\$0	\$0
Net General Bonded Debt	\$25,701,350	\$23,258,690	\$20,762,700	\$18,218,564
Ratio of Net Bonded Debt to Estimated Actual Value	1.11%	1.08%	0.97%	0.85%
Net Bonded Debt per Capita	\$411.37	\$373.59	\$332.28	\$292.16

(continued)

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2017	2018
Population (1)	62,127	62,092
Actual Value (in thousands) (2)	\$2,261,468	\$2,257,501
General Bonded Debt (3)		
General Obligation Bonds	\$3,211,639	\$14,612,373
Total General Bonded Debt	\$3,211,639	\$14,612,373
Resources Available to Pay Principal	\$0	\$0
Net General Bonded Debt	\$3,211,639	\$14,612,373
Ratio of Net Bonded Debt to Estimated Actual Value	0.14%	0.65%
Net Bonded Debt per Capita	\$51.69	\$235.33

CITY OF HAMILTON, OHIO

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2018*

<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	\$38,564,310	100.00%	\$38,564,310
Overlapping:			
Butler County	33,539,290	9.84%	3,300,266
Hamilton City School District	65,655,000	96.80%	63,554,040
Talawanda School District	34,840,000	3.29%	1,146,236
New Miami Local School District	680,000	1.44%	9,792
Ross Local School District	13,375,000	0.39%	52,163
Butler Technology and Career Center	8,035,000	0.30%	<u>24,105</u>
		Subtotal	<u>68,086,602</u>
		Total	<u><u>\$106,650,912</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$952,929,910	\$902,895,930	\$895,754,320	\$828,698,560
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	100,057,641	94,804,073	94,054,204	87,013,349
City Debt Outstanding (2)	31,440,157	29,180,083	28,170,011	25,925,097
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>31,440,157</u>	<u>29,180,083</u>	<u>28,170,011</u>	<u>25,925,097</u>
Overall Legal Debt Margin	<u>\$68,617,484</u>	<u>\$65,623,990</u>	<u>\$65,884,193</u>	<u>\$61,088,252</u>
Debt Margin as a Percentage of Debt Limit	68.58%	69.22%	70.05%	70.21%
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$952,929,910	\$902,895,930	\$895,754,320	\$828,698,560
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	52,411,145	49,659,276	49,266,488	45,578,421
City Debt Outstanding (2)	31,440,157	29,180,083	28,170,011	25,925,097
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>31,440,157</u>	<u>29,180,083</u>	<u>28,170,011</u>	<u>25,925,097</u>
Overall Legal Debt Margin	<u>\$20,970,988</u>	<u>\$20,479,193</u>	<u>\$21,096,477</u>	<u>\$19,653,324</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$810,566,220	\$758,284,500	\$752,562,040	\$749,814,320
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	85,109,453	79,619,873	79,019,014	78,730,504
City Debt Outstanding (2)	23,875,438	21,739,256	19,720,000	17,340,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>23,875,438</u>	<u>21,739,256</u>	<u>19,720,000</u>	<u>17,340,000</u>
Overall Legal Debt Margin	<u>\$61,234,015</u>	<u>\$57,880,617</u>	<u>\$59,299,014</u>	<u>\$61,390,504</u>
 Debt Margin as a Percentage of Debt Limit	 71.95%	 72.70%	 75.04%	 77.98%
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$810,566,220	\$758,284,500	\$752,562,040	\$749,814,320
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	44,581,142	41,705,648	41,390,912	41,239,788
City Debt Outstanding (2)	23,875,438	21,739,256	19,720,000	17,340,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>23,875,438</u>	<u>21,739,256</u>	<u>19,720,000</u>	<u>17,340,000</u>
Overall Legal Debt Margin	<u>\$20,705,704</u>	<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>Total Debt</u>		
Net Assessed Valuation	\$794,964,840	\$793,855,500
Legal Debt Limitation (%) (1)	10.50%	10.50%
Legal Debt Limitation (\$) (1)	83,471,308	83,354,828
City Debt Outstanding (2)	3,185,000	14,090,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>3,185,000</u>	<u>14,090,000</u>
Overall Legal Debt Margin	<u>\$80,286,308</u>	<u>\$69,264,828</u>
Debt Margin as a Percentage of Debt Limit	96.18%	83.10%
<u>Unvoted Debt</u>		
Net Assessed Valuation	\$794,964,840	\$793,855,500
Legal Debt Limitation (%) (1)	5.50%	5.50%
Legal Debt Limitation (\$) (1)	43,723,066	43,662,053
City Debt Outstanding (2)	3,185,000	14,090,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>3,185,000</u>	<u>14,090,000</u>
Overall Legal Debt Margin	<u>\$40,538,066</u>	<u>\$29,572,053</u>

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2009	2010	2011	2012
Water System Revenue Bonds				
Gross Revenues (1)	\$14,365,405	\$14,930,142	\$15,000,714	\$14,798,053
Direct Operating Expenses (2)	11,794,753	12,158,069	10,795,637	10,868,974
Net Revenue Available for Debt Service	2,570,652	2,772,073	4,205,077	3,929,079
Annual Debt Service Requirement	1,009,324	2,337,494	2,321,067	2,322,567
Coverage (3)	2.55	1.19	1.81	1.69
Wastewater System Revenue Bonds				
Gross Revenues (1)	\$10,835,332	\$11,272,546	\$12,368,786	\$12,181,654
Direct Operating Expenses (2)	8,150,313	7,792,762	7,355,594	6,988,504
Net Revenue Available for Debt Service	2,685,019	3,479,784	5,013,192	5,193,150
Annual Debt Service Requirement	2,056,015	3,114,006	3,092,977	4,853,775
Coverage (3)	1.31	1.12	1.62	1.07
Gas System Revenue Bonds				
Gross Revenues (1)	\$31,795,459	\$26,867,128	\$21,974,462	\$16,611,781
Direct Operating Expenses (2)	27,095,082	23,092,861	19,230,178	14,435,127
Net Revenue Available for Debt Service	4,700,377	3,774,267	2,744,284	2,176,654
Annual Debt Service Requirement	1,490,112	1,693,780	1,674,487	1,670,737
Coverage (3)	3.15	2.23	1.64	1.30
Electric System Revenue Bonds				
Gross Revenues (1)	\$61,400,264	\$66,365,469	\$63,439,859	\$62,256,537
Direct Operating Expenses (2)	39,290,578	47,654,945	42,406,513	41,468,644
Net Revenue Available for Debt Service	22,109,686	18,710,524	21,033,346	20,787,893
Annual Debt Service Requirement	13,052,060	14,836,139	14,713,079	14,874,641
Coverage (3)	1.69	1.26	1.43	1.40
Special Assessment Bonds				
Special Assessment Collections	\$343,711	\$511,216	\$512,509	\$465,240
Debt Service				
Principal	270,000	285,000	250,000	205,000
Interest	111,863	99,996	87,383	75,698
Coverage	0.90	1.33	1.52	1.66

- (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*

	2013	2014	2015	2016
Water System Revenue Bonds				
Gross Revenues (1)	\$14,656,915	\$14,965,626	\$12,602,429	\$13,130,285
Direct Operating Expenses (2)	10,505,666	9,477,829	9,364,217	10,137,417
Net Revenue Available for Debt Service	4,151,249	5,487,797	3,238,212	2,992,868
Annual Debt Service Requirement	2,320,492	2,314,717	2,316,840	2,064,721
Coverage (3)	1.79	2.37	1.40	1.45
Wastewater System Revenue Bonds				
Gross Revenues (1)	\$14,684,679	\$12,375,483	\$11,950,092	\$12,470,466
Direct Operating Expenses (2)	7,068,795	6,582,215	6,816,788	7,155,147
Net Revenue Available for Debt Service	7,615,884	5,793,268	5,133,304	5,315,319
Annual Debt Service Requirement	4,901,071	4,852,095	4,844,370	4,846,320
Coverage (3)	1.55	1.19	1.06	1.10
Gas System Revenue Bonds				
Gross Revenues (1)	\$24,746,065	\$29,488,952	\$22,013,427	\$19,117,737
Direct Operating Expenses (2)	22,596,575	28,900,507	19,446,910	17,472,300
Net Revenue Available for Debt Service	2,149,490	588,445	2,566,517	1,645,437
Annual Debt Service Requirement	1,669,237	1,669,738	1,670,375	432,925
Coverage (3)	1.29	0.35	1.54	3.80
Electric System Revenue Bonds				
Gross Revenues (1)	\$60,360,176	\$62,073,277	\$64,722,757	\$66,451,995
Direct Operating Expenses (2)	42,282,539	48,620,592	46,586,253	62,051,190
Net Revenue Available for Debt Service	18,077,637	13,452,685	18,136,504	4,400,805
Annual Debt Service Requirement	14,837,797	15,373,471	15,301,211	2,470,584
Coverage (3)	1.22	0.88	1.19	1.78
Special Assessment Bonds				
Special Assessment Collections	\$499,689	\$484,900	\$417,716	\$342,130
Debt Service				
Principal	135,000	140,000	150,000	145,000
Interest	65,498	58,523	51,078	43,020
Coverage	2.49	2.44	2.08	1.82

(continued)

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2017	2018
Water System Revenue Bonds		
Gross Revenues (1)	\$13,483,093	\$14,070,659
Direct Operating Expenses (2)	11,317,676	10,307,917
Net Revenue Available for Debt Service	2,165,417	3,762,742
Annual Debt Service Requirement	2,064,373	1,964,902
Coverage (3)	1.05	1.91
Wastewater System Revenue Bonds		
Gross Revenues (1)	\$12,541,901	\$12,966,268
Direct Operating Expenses (2)	8,054,016	7,950,546
Net Revenue Available for Debt Service	4,487,885	5,015,722
Annual Debt Service Requirement	3,991,788	3,334,502
Coverage (3)	1.12	1.50
Gas System Revenue Bonds		
Gross Revenues (1)	\$18,531,047	\$21,879,539
Direct Operating Expenses (2)	17,472,987	20,149,213
Net Revenue Available for Debt Service	1,058,060	1,730,326
Annual Debt Service Requirement	184,071	653,671
Coverage (3)	5.75	2.65
Electric System Revenue Bonds		
Gross Revenues (1)	\$71,035,797	\$80,569,387
Direct Operating Expenses (2)	75,464,636	75,820,874
Net Revenue Available for Debt Service	(4,428,839)	4,748,513
Annual Debt Service Requirement	2,482,759	2,549,893
Coverage (3)	(1.78)	1.86
Special Assessment Bonds		
Special Assessment Collections	\$345,325	\$234,082
Debt Service		
Principal	155,000	165,000
Interest	35,153	22,975
Coverage	1.82	1.25

CITY OF HAMILTON, OHIO

Demographic and Economic Statistics Last Ten Years

Calendar Year	2009	2010	2011	2012
Population (1)				
City of Hamilton	60,690	62,477	62,795	62,295
Butler County	332,807	368,130	373,115	369,999
Income (2) (a)				
Total Personal (in thousands)	11,533,094	12,975,478	13,652,278	14,375,201
Per Capita	34,654	35,247	36,590	38,852
Unemployment Rate (3)				
Federal	10.0%	9.6%	8.9%	8.1%
State	10.8%	10.1%	8.6%	7.2%
Butler County	9.9%	9.6%	8.6%	7.1%
Civilian Work Force Estimates (3)				
State	5,970,200	5,897,600	5,806,000	5,748,000
Butler County	191,700	188,200	191,300	189,600

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 2017, for the presentation of 2017 and 2018 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	2013	2014	2015	2016
Population (1)				
City of Hamilton	62,477	62,258	62,486	62,359
Butler County	368,130	371,272	374,158	372,538
Income (2) (a)				
Total Personal (in thousands)	14,468,982	14,592,475	15,294,831	15,631,343
Per Capita	39,304	39,304	40,878	41,534
Unemployment Rate (3)				
Federal	7.4%	6.2%	5.3%	4.9%
State	7.4%	5.6%	4.6%	4.7%
Butler County	6.9%	4.9%	4.2%	4.1%
Civilian Work Force Estimates (3)				
State	5,766,000	5,737,000	5,703,400	5,673,900
Butler County	190,500	191,100	186,900	187,900

(continued)

CITY OF HAMILTON, OHIO

*Demographic and Economic Statistics
Last Ten Years*

Calendar Year	<u>2017</u>	<u>2018</u>
Population (1)		
City of Hamilton	62,127	62,092
Butler County	380,604	382,378
Income (2) (a)		
Total Personal (in thousands)	15,680,621	16,197,532
Per Capita	42,620	42,360
Unemployment Rate (3)		
Federal	4.4%	3.8%
State	5.0%	4.5%
Butler County	4.4%	3.7%
Civilian Work Force Estimates (3)		
State	5,849,603	5,416,810
Butler County	190,208	153,227

CITY OF HAMILTON, OHIO

*Principal Employers
Current Year and Nine Years Ago*

Employer	Nature of Business	2018		
		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	985	3	N/A
ThyssenKrupp Bilstein of America (HQ)	Manufacturing	750	4	N/A
City of Hamilton	Government	622	5	N/A
Community First Solutions (HQ)	Health Care	550	6	N/A
Barcalycard	Communication Technology	422	7	N/A
Miami University - Hamilton	Education	400	8	N/A
STARTEK	Communication Technology	300	9	N/A
Bethesda Butler Hospital	Health Care	245	10	N/A
Total		<u>6,959</u>		
Total Employment within the City (1)		<u>N/A</u>		

Employer	Nature of Business	2009		
		Number of Employees	Rank	Percentage of Total Employment
Ft. Hamilton Hospital	Healthcare	1,250	1	4.25%
Hamilton City School District	Education	1,250	2	4.25%
Butler County	Government	900	3	3.06%
City of Hamilton	Government	700	4	2.38%
First Financial Bank	Financial	400	5	1.36%
Meijer	Retail	325	6	1.11%
Ohio Casualty Group/Liberty Mutual	Insurance	300	7	1.02%
The Kroger Company	Retail	300	8	1.02%
GE Aviation	Manufacturing	250	9	0.85%
Smart Papers LLC	Manufacturing	200	10	0.68%
Total		<u>5,875</u>		<u>19.98%</u>
Total Employment within the City		<u>29,400</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*

	2009	2010	2011	2012	2013
Governmental Activities					
General Government					
City Administration	21.00	21.00	22.00	21.50	23.00
Engineering	17.00	17.00	12.50	9.00	6.00
Municipal Court	28.00	28.00	32.00	31.50	30.75
Information Technology	10.00	10.00	9.00	7.00	6.00
Finance	35.00	32.00	36.00	36.00	34.50
Security of Persons and Property					
Police	147.00	147.00	141.00	136.00	121.75
Fire	107.00	105.00	110.00	107.00	95.00
Public Health and Welfare Services					
Health	15.00	14.00	11.25	10.50	11.50
Leisure Time Activities					
Parks and Recreation	22.00	13.00	17.50	18.00	17.50
Community Environment					
Planning and Zoning	25.00	23.00	16.00	15.00	15.00
Transportation					
Street	52.00	50.00	55.00	57.00	60.00
Business-Type Activities					
Utilities					
Gas	24.00	24.00	31.00	29.00	30.00
Electric	110.00	109.00	114.00	105.00	105.00
Water	34.00	33.00	32.00	32.00	30.00
Wastewater	23.00	23.00	16.00	19.00	16.00
Utility Customer Service	29.00	28.00	23.00	26.00	25.00
<i>Total Employees</i>	<u>699.00</u>	<u>677.00</u>	<u>678.25</u>	<u>659.50</u>	<u>627.00</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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities					
General Government					
City Administration	23.75	16.50	19.00	19.00	19.50
Engineering	7.00	4.00	5.00	5.00	5.00
Municipal Court	27.50	27.00	27.50	28.50	28.00
Information Technology	6.00	5.00	14.00	14.00	14.25
Finance	33.25	29.00	28.50	24.75	22.25
Security of Persons and Property					
Police	118.00	121.25	124.00	136.00	133.00
Fire	97.00	96.25	98.50	107.00	105.00
Public Health and Welfare Services					
Health	13.25	15.50	15.75	14.75	13.00
Leisure Time Activities					
Parks and Recreation	17.75	15.00	14.50	14.50	13.00
Community Environment					
Planning and Zoning	15.00	16.50	16.75	13.75	13.50
Transportation					
Street	60.00	56.25	57.25	53.00	56.00
Business-Type Activities					
Utilities					
Gas	28.00	26.00	27.00	22.75	26.50
Electric	111.50	96.75	103.00	99.00	102.50
Water	25.00	30.25	31.75	36.00	35.00
Wastewater	14.00	26.00	25.75	25.50	24.00
Utility Customer Service	17.00	19.00	18.00	16.00	17.00
<i>Total Employees</i>	<u>614.00</u>	<u>600.25</u>	<u>626.25</u>	<u>629.50</u>	<u>627.50</u>

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2009	2010	2011	2012
Governmental Activities				
General Government				
Licenses and Permits				
Building Permits Issued - Residential	434	270	189	292
Building Permits Issued - Commercial	371	355	300	331
Security of Persons and Property				
Police				
Misdemeanor Arrests	8,774	7,740	6,589	3,832
Felony Arrests	2,041	1,516	1,587	1,371
Traffic Citations Issued	6,273	6,208	6,418	4,903
Parking Tickets Written	766	873	3,721	2,923
Fire / Emergency Medical Services				
Number of Calls Answered	11,326	11,386	11,733	12,091
Number of Inspections	2,156	1,145	2,159	637
Number of Emergency Medical Calls	8,691	9,008	9,121	9,471
Transportation				
Street				
Street Resurfacing (Center Line miles)	3.57	11.86	17.97	3.20
Parking				
Parking Levels	6.50	6.50	6.50	6.50
Parking Spaces	751	754	754	754
Average Daily Cars Parked	412	646	457	423
Parking / Meters - On Street and Lots	836	836	836	818
Public Works				
Refuse Collection				
Refuse Collected (tons)	26,493	25,988	25,823	23,149
Recyclables Collected (tons)	1,842	2,149	2,023	2,534
Leisure Time Activities				
Parks and Recreation				
Athletic Field Permits Issued*	94	92	60	65
Public Health and Welfare Services				
Health Care				
Number of Patient Beds	320	274	320	320

*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*

	2013	2014	2015	2016
Governmental Activities				
General Government				
Licenses and Permits				
Building Permits Issued - Residential	299	354	318	400
Building Permits Issued - Commercial	340	282	325	368
Security of Persons and Property				
Police				
Misdemeanor Arrests	3,159	6,237	6,025	5,488
Felony Arrests	1,519	773	637	754
Traffic Citations Issued	4,315	4,253	4,698	5,058
Parking Tickets Written	2,710	2,437	2,107	2,195
Fire / Emergency Medical Services				
Number of Calls Answered	11,657	12,157	12,724	12,967
Number of Inspections	295	520	980	96
Number of Emergency Medical Calls	9,239	9,700	10,208	10,337
Transportation				
Street				
Street Resurfacing (Center Line miles)	3.49	1.82	3.56	1.12
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	753	656	524	524
Public Works				
Refuse Collection				
Refuse Collected (tons)	23,227	23,232	23,190	23,282
Recyclables Collected (tons)	2,728	2,697	2,644	2,660
Leisure Time Activities				
Parks and Recreation				
Athletic Field Permits Issued*	75	132	N/A	N/A
Public Health and Welfare Services				
Health Care				
Number of Patient Beds	274	209	296	320

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2017	2018
Governmental Activities		
General Government		
Licenses and Permits		
Building Permits Issued - Residential	349	385
Building Permits Issued - Commercial	411	346
Security of Persons and Property		
Police		
Misdemeanor Arrests	6,462	6,546
Felony Arrests	892	791
Traffic Citations Issued	4,934	4,952
Parking Tickets Written	900	1,161
Fire / Emergency Medical Services		
Number of Calls Answered	14,482	14,254
Number of Inspections	478	565
Number of Emergency Medical Calls	13,002	12,161
Transportation		
Street		
Street Resurfacing (Center Line miles)	3.54	2.83
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	445	538
Public Works		
Refuse Collection		
Refuse Collected (tons)	23,907	24,278
Recyclables Collected (tons)	2,645	2,536
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	358	257

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2009	2010	2011	2012
Business-Type Activities				
Gas				
Average Daily Consumption (100 cubic feet)	8,694	9,088	8,808	6,823
Peak Daily Consumption (100 cubic feet)	33,457	26,487	27,425	23,042
Electric				
Peak Demand (MW)	146	159	159	152
Energy Requirement (MWh)	626,161	663,099	651,892	613,645
Total System Sales (MWh)	592,956	636,557	618,083	583,773
Total Residential Customers	26,345	26,177	26,085	26,052
Total Commercial Customers	2,905	2,954	2,952	2,926
Water				
New Service Connections	8	10	4	18
Water Main Breaks	71	93	87	77
Average Daily Consumption (thousands of gallons)	16,957	17,853	17,644	16,322
Peak Daily Consumption (thousands of gallons)	22,755	22,537	25,545	21,495
Wastewater				
Average Daily Sewage Treatment (millions of gallons)	12.5	13.4	14.2	8.6

Source: City Records

N/A = Information Not Available

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2013	2014	2015	2016
Business-Type Activities				
Gas				
Average Daily Consumption (100 cubic feet)	9,969	10,243	6,794	6,505
Peak Daily Consumption (100 cubic feet)	27,136	33,759	32,152	25,089
Electric				
Peak Demand (MW)	140	133	143	145
Energy Requirement (MWh)	619,273	613,779	614,023	604,727
Total System Sales (MWh)	566,426	594,699	561,624	571,211
Total Residential Customers	26,099	26,127	26,347	26,379
Total Commercial Customers	2,922	2,915	2,908	2,895
Water				
New Service Connections	25	23	23	30
Water Main Breaks	117	83	83	72
Average Daily Consumption (thousands of gallons)	15,458	14,490	14,490	15,222
Peak Daily Consumption (thousands of gallons)	20,323	18,204	18,204	22,215
Wastewater				
Average Daily Sewage Treatment (millions of gallons)	8.4	8.9	8.9	8.5

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	<u>2017</u>	<u>2018</u>
Business-Type Activities		
Gas		
Average Daily Consumption (100 cubic feet)	6,861	7,549
Peak Daily Consumption (100 cubic feet)	26,769	28,170
Electric		
Peak Demand (MW)	135	132
Energy Requirement (MWh)	585,366	610,054
Total System Sales (MWh)	552,949	583,686
Total Residential Customers	26,783	26,400
Total Commercial Customers	2,886	2,887
Water		
New Service Connections	84	76
Water Main Breaks	42	73
Average Daily Consumption (thousands of gallons)	14,766	11,792
Peak Daily Consumption (thousands of gallons)	19,491	22,331
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	9.0	10.8

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2009	2010	2011	2012
Governmental Activities				
General Government				
Public Land and Buildings				
Land (Square Miles)	21.62	21.62	21.68	21.68
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Cruisers	44	44	44	40
Fire / Emergency Medical Services				
Stations	6	6	6	6
Transportation				
Street				
Streets (lane miles)	216.20	254.21	254.21	254.21
Street Lights	6,963	6,986	6,996	7,011
Traffic Signals	98	98	98	96
Parking				
Off street Parking Garages	2	2	2	2
Leisure Time Activities				
Parks and Recreation				
Parks	52	52	52	52
Park Area (acres)	1,300	1,300	1,300	1,300
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*

	2013	2014	2015	2016
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	40	49
Fire / Emergency Medical Services				
Stations	5	5	5	5
Transportation				
Street				
Streets (lane miles)	254.21	254.21	254.21	254.21
Street Lights	7,028	7,029	9,043	9,043
Traffic Signals	96	95	95	95
Parking				
Off street Parking Garages	1	1	1	1
Leisure Time Activities				
Parks and Recreation				
Parks	54	54	54	36
Park Area (acres)	1,308	1,308	1,308	1,308
Playgrounds	24	24	24	24
Ball Fields				
Lighted	9	9	9	10
Unlighted	34	34	34	34
Tennis Courts				
Lighted	2	2	2	1
Unlighted	6	6	6	3
Swimming Pools	1	1	1	1
Splash Pads		3	3	5
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*

	2017	2018
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	9,050	9,051
Traffic Signals	92	94
Parking		
Off street Parking Garages	1	1
Leisure Time Activities		
Parks and Recreation		
Parks	44	47
Park Area (acres)	1,315	1,261
Playgrounds	23	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*

	2009	2010	2011	2012
Business-Type Activities				
Utilities				
Water				
Purification Plants	2	2	2	2
Maximum Capacity (millions of gallons)	46	46	46	46
Waterlines (Miles)	267.4	340.0	340.0	340.0
Wastewater				
Treatment Plants	1	1	1	1
Maximum Capacity (millions of gallons)	32	32	32	32
Sanitary Sewerlines (Miles)	236.8	253.0	253.0	253.0
Storm Drains (Miles)	158.5	188.2	188.2	188.2

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2013	2014	2015	2016
Business-Type Activities				
Utilities				
Water				
Purification Plants	2	2	2	2
Maximum Capacity (millions of gallons)	46	46	46	46
Waterlines (Miles)	345.0	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>2017</u>	<u>2018</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 – ELECTRIC SYSTEM

Financial Statements

Years Ended December 31, 2018

With Independent Auditors' Report

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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 year ended December 31, 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 an opinion 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. 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 opinion.

Opinion

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, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As 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, 2018, and the changes in its financial position and cash flows for the year 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, during the year ended December 31, 2018, the Electric System adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 18, 2019

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Year Ended December 31, 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 year ended December 31, 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 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 2018 by \$115,696,113 (net position). At December 31, 2018, \$20,228,554 (unrestricted net position) may be used to meet the system's ongoing obligations to customers and creditors.
- The system's total net position decreased by \$4,435,927 between 2018 and 2017, due to increases in base rates charged to customers, compared to the decrease of \$13,446,580 experienced between 2017 and 2016.
- In 2018, the Electric System's long-term debt, net of premiums and discounts, decreased by \$1,180,548 due to meeting its annual debt service requirements.

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 29,300 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, 2018.

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 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 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.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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 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. In the case of the Electric Fund, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$115,696,113 as of December 31, 2018.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Table 1 provides a summary of the Electric System's Statement of Net Position for the Years Ended December 31, 2018 and 2017.

	2018	<i>Restated</i> 2017
Current and other assets	\$ 50,065,243	\$ 54,919,558
Capital assets	117,666,483	116,068,462
Total assets	<u>167,731,726</u>	<u>170,988,020</u>
Deferred outflows of resources	3,214,329	5,633,068
Long-term liabilities:		
Net pension liability	8,807,947	12,116,488
OPEB liabilities	6,433,564	5,657,740
Other long-term amounts	28,567,956	29,688,118
Other liabilities	8,880,244	8,774,797
Total liabilities	<u>52,689,711</u>	<u>56,237,143</u>
Deferred inflows of resources	2,560,231	251,905
Net investment in capital assets	88,396,753	87,082,888
Restricted	7,070,806	7,405,613
Unrestricted	20,228,554	25,643,539
Total net position	<u>\$ 115,696,113</u>	<u>\$ 120,132,040</u>

Other than the revenue bonds outstanding, the net pension liability (NPL) is the next largest liability reported by the Electric System at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the Electric System adopted 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 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.

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 Year Ended December 31, 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 Year Ended December 31, 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.

As a result of implementing GASB Statement No. 75, the Electric System is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$125,714,184 to \$120,132,040.

A vast majority of the System's assets lie within the physical property, plant and equipment of the system having a historical cost less accumulated depreciation of \$117,666,483 and \$116,068,462, respectively, at December 31, 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, 2018 and 2017, the Electric System was able to report a positive balance in net position of \$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. An increase in electric base rates led to increases in operating revenue and reduced the operating loss by \$9,824,943 from 2017. Net non-operating expenses of \$1,558,705 increased by \$814,290, primarily due to an increase in interest costs associated with the maturity of \$13,795,000 in 2017 notes.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Statement of Revenues, Expenses and Changes in Net Position

	2018	<i>Restated</i> 2017
Operating revenues	\$ 79,889,209	\$ 70,567,830
Operating expenses:		
Purchased power and fuel	53,951,389	50,712,401
Depreciation	6,945,557	7,805,359
Other operating expenses	21,869,485	24,752,235
Total operating expenses	82,766,431	83,269,995
Operating loss	(2,877,222)	(12,702,165)
Non-Operating revenues (expenses)		
Interest and fiscal charges	(2,534,447)	(1,453,986)
Loss on disposal of capital assets	(15,821)	(69,271)
Other non-operating revenues	991,563	778,842
Total non-operating revenues (expenses)	(1,558,705)	(744,415)
Change in net position	(4,435,927)	(13,446,580)
Beginning net position	120,132,040	N/A
Ending net position	\$ 115,696,113	\$ 120,132,040

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Electric System as of December 31, 2018 and 2017 amounted to \$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 2018.

Debt Administration: At the end of 2018, the Electric System had three outstanding long-term revenue bond issues totaling \$28,020,000. In April 2018, the Electric System retired \$13,795,000 in 2017 notes with the issuance of \$12,980,000 in 2018 revenue refunding bonds.

See Note 6 for a discussion of outstanding Electric System bonds, notes and related activity.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Economic Factors and Future Trends

The City's 2018 rate base consisted of approximately 26,400 residential customers and 2,900 commercial and industrial customers. The residential customers account for 54% of the revenue, the commercial and industrial customers account for the remaining 46%. No one customer of the Electric System accounted for more than 2.5% of total revenues and the ten largest customers, accounted for approximately 12.0% of the Electric System's revenues in 2018. 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 \$0.01888/kWh in 2018.
- 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 at 0% for 2018.
- A suburban surcharge (Rider C) of 5% for all Electric System customers outside the corporate limits of the City.
- 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 wasn't assessed for 2018.
- 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 wasn't assessed for 2018.
- The Economic Development Cost Adjustment (Rider F) for Electric wasn't assessed in 2018.

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 completed the largest transmission and distribution project in its history in 2012. The \$25 million project included three new substations, adding 75 MW of new capacity to the Electric System, retrofitting its twelve existing substations with next-generation SCADA (supervisory control and data acquisition) and intelligent relays.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Future City power supply resources are identified in the City's 20-year Power Supply Plan. The Power Supply Plan was designed to diversify the mix of resources, in an effort to mitigate exposure to generating unit outages, fuel costs, environmental regulations and market prices. Planned and on-going transmission system improvements complement future power supply resources and provide reliable operation.

The Prairie State Energy Campus is a 2-unit, 1,600 MW coal-fired generating project that is located in Central Illinois. Prairie State is projected to be the cleanest coal-fired generating facility in the United States. The first unit came on-line in December 2011 and the second unit in June 2012. The City and American Municipal Power ("AMP") executed a purchase power agreement, wherein the City will purchase 17.5 MW from each unit, resulting in a total of 35 MW of capacity. Prairie State provided approximately 298,740 MWh, 34% of the City's power supply resources, in 2018. The project was financed by AMP. AMP is participating in 368 MW of the Prairie State Energy Campus, on behalf of its members.

The Fremont Energy Center (AFEC) is a natural gas combined cycle (NGCC) facility, purchased by AMP in July 2011, from Akron-based FirstEnergy Corp. AFEC will supply intermediate power to participating AMP member communities. Intermediate power is energy needed Monday-Friday, during the 16 highest demand hours. The city of Hamilton is one of 87 AMP member communities participating in the AFEC project and is receiving power from the facility. AFEC is a 675 MW (fired) facility, with a capacity of 512 MW as an intermediate power source. AFEC also includes duct-firing, which allows an additional 163 MW of generation during peak demand periods. AFEC is projected to provide approximately \$500 million savings to participating AMP member communities, over 30 years, as compared to the market. The City is entitled to a 27.5 MW share of the Fremont plant's capacity, which came on-line in January 2012.

On March 1, 2009, the City and AMP completed an agreement, effective March 31, 2009, pursuant to which the City will retain approximately 54 MW of the 105 MW Meldahl project. Additionally, the City will sell approximately 34.1 MW of the 70.2 MW Greenup Project to AMP. The agreement features a sale price of the Greenup power of \$139 million, which was paid by AMP to the City at the commencement of operations of the Meldahl Project in 2016. The City used the sale proceeds to retire outstanding debt and 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 424,590 MWh, thereby diversifying the City's power resources and moving further away from the production of power via fossil fuels. The energy generation from Meldahl, Greenup, New York Power Authority and the Hamilton Small Hydroelectric units was approximately 43% of the City's power supply resources in 2018.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

As an electric utility that operates a thermal energy power plant, the City is subject to complying with the Federal Clean Air Act and regulation by the U.S. EPA. The Electric System has made a number of improvements over the years to bring the coal-fired, Third Street Power Plant into compliance with the numerous changes in regulations that have taken place. In 2012, the City determined that the most cost effective, long-term solution for meeting the demands of the U.S. EPA was to utilize natural gas as the primary fuel for Units 8 & 9 at the power plant. The conversion of Units 8 & 9 was completed in the Spring of 2013, and the Plant operated the entire 2013 summer cooling season using natural gas. On March 27, 2012, the USEPA proposed greenhouse gas emission limits for newly constructed power plants. These proposed limitations are not likely to impact any of Hamilton's existing power generation resources.

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 previous RTO affiliate. This transition was brought about, in large part, due to the fact that Duke Energy Ohio and Duke Energy Kentucky announced that they would be switching 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.

The Power Supply Plan spreads the City's needs between multiple resources and thus would not be significantly affected by the price or performance of a single project. The benefits of this plan include reduced exposure to fuel costs, environmental regulations and market prices, as well as solidifying approximately 95% of the City's energy requirement in 2018.

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
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS

Current assets:

Cash and investments	\$ 32,940,119
Accounts receivable (less allowance for uncollectible accounts of \$4,712,048)	7,722,133
Interest receivable	116,689
Inventory of supplies at cost	1,733,218
Prepaid expenses	<u>482,278</u>
Total current assets	<u>42,994,437</u>

Restricted cash and investments	<u>7,070,806</u>
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Noncurrent assets:

Nondepreciable capital assets	20,538,220
Depreciable capital assets, net	<u>97,128,263</u>
Total noncurrent assets	<u>117,666,483</u>

Total assets	<u>167,731,726</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension	2,516,120
OPEB	<u>698,209</u>

Total deferred outflows of resources	<u>3,214,329</u>
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LIABILITIES

Current liabilities:

Accounts payable	5,075,820
Accrued wages and benefits	207,671
Accrued liabilities	936
Intergovernmental payable	29,460
Accrued interest payable	392,876
Customer deposits payable	1,655,215
Compensated absences payable-current	598,266
Revenue bonds payable-current portion	<u>920,000</u>
Total current liabilities	<u>8,880,244</u>

Noncurrent Liabilities:

Compensated absences payable	603,981
Revenue bonds payable	27,963,975
Net pension liability	8,807,947
Net OPEB liability	6,168,113
Total OPEB liability	<u>265,451</u>

Total noncurrent liabilities	<u>43,809,467</u>
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Total liabilities	<u>52,689,711</u>
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DEFERRED INFLOWS OF RESOURCES

Pension	2,091,778
OPEB	<u>468,453</u>

Total deferred inflows of resources	<u>2,560,231</u>
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NET POSITION

Net investment in capital assets	88,396,753
Restricted for debt service	3,070,806
Restricted for rate stabilization	4,000,000
Unrestricted	<u>20,228,554</u>

Total net position	<u>\$ 115,696,113</u>
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**CITY OF HAMILTON, OHIO - ELECTRIC SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018**

Operating revenues:	
Charges for services	\$ 78,228,334
Other operating revenues	<u>1,660,875</u>
Total operating revenues	<u>79,889,209</u>
Operating expenses:	
Personal services	10,181,017
Materials and supplies	1,139,991
Contractual services	6,756,821
Purchased power and fuel	53,951,389
Depreciation	6,945,557
Other operating expenses	<u>3,791,656</u>
Total operating expenses	<u>82,766,431</u>
Operating loss	(2,877,222)
Non-operating revenues (expenses):	
Investment earnings	680,178
Loss on disposal of capital assets	(15,821)
Grants	311,385
Interest and fiscal charges	<u>(2,534,447)</u>
Total non-operating revenues (expenses)	<u>(1,558,705)</u>
Change in net position	(4,435,927)
Net position - beginning of year, <i>restated</i>	<u>120,132,040</u>
Net position - end of year	\$ <u><u>115,696,113</u></u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - ELECTRIC SYSTEM
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities:

Cash received from customers	\$ 80,234,981
Cash paid for employee services and benefits	(10,604,010)
Cash paid to suppliers for goods and services	(63,418,151)
Net cash from operating activities	<u>6,212,820</u>

Cash flows from noncapital financing activities:

Intergovernmental grants	311,385
Kilowatt hour taxes received	2,455,128
Kilowatt hour taxes paid to State	(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>11,541,385</u>

Cash flows from capital and related financing activities:

Payments for capital acquisition	(8,791,136)
Note retirement	(13,795,000)
Revenue bond principal retirement	(1,290,000)
Debt interest payments	(1,646,706)
Proceeds from sale of refunding debt	13,977,909
Net cash from capital and related financing activities	<u>(11,544,933)</u>

Cash flows from investing activities:

Interest from investments and change in fair value of investments	<u>687,674</u>
Net change in cash and investments	6,896,946
Cash and investments at beginning of year	<u>33,113,979</u>
Cash and investments at end of year	<u>\$ 40,010,925</u>

Reconciliation of operating loss to net cash
from operating activities

Operating loss	\$ (2,877,222)
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	6,945,557
Change in deferred outflows-pension and OPEB	1,586,686
Change in deferred inflows-pension and OPEB	2,308,326
Change in Assets and Liabilities:	
(Increase) decrease in receivables	345,638
(Increase) decrease in inventory	168,966
(Increase) decrease in prepaid items	(839)
Increase (decrease) in customer deposits payable	171,937
Increase (decrease) in payables	(155,483)
Increase (decrease) in accrued liabilities	246,772
Increase (decrease) in intergovernmental payables	5,199
Increase (decrease) in net pension liability	(3,308,541)
Increase (decrease) in net OPEB liability	787,607
Increase (decrease) in net OPEB liability	(11,783)
Net cash from operating activities	<u>\$ 6,212,820</u>

Schedule of noncash activities:

Outstanding liabilities for purchase of certain capital assets	<u>\$ 385,755</u>
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CITY OF HAMILTON, OHIO – ELECTRIC SYSTEM

Notes to Financial Statements Years Ended December 31, 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 and premiums were \$3,305 and \$76,762, respectively, in 2018.

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 \$36,940,119 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 \$3,070,806 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 2018, 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, 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 1.47 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2018 consist of the following:

Earned and unbilled consumer accounts	\$	3,803,717
Earned and billed consumer accounts		8,105,564
Other		524,900
Less allowance for uncollectible accounts		<u>(4,712,048)</u>
Total	\$	<u><u>7,722,133</u></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 \$7,070,806 at December 31, 2018.

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5. CAPITAL ASSETS

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	<u>15,970,185</u>	<u>4,534,283</u>	<u>(1,829,557)</u>	<u>18,674,911</u>
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	<u>398,223,752</u>	<u>5,608,184</u>	<u>(657,272)</u>	<u>403,174,664</u>
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	<u>313,297,285</u>	<u>6,554,955</u>	<u>(641,451)</u>	<u>319,210,789</u>
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 mature in 2019 with interest of 3.5%. The Series 2009B Build America Bonds fully mature in 2039 with interest from 6.5% to 6.6% per annum.

In December 2017, the Electric System defeased \$13,090,000 of Series 2009A Electric System Revenue Bonds, along with portions of Water and Wastewater Revenue Bonds, through the issuance of \$45,220,000 of Various Purpose General Obligation Notes. The Electric System's portion of the 2017 Notes was \$13,795,000. These notes were refunded in 2018, 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.

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

	<i>Restated</i> Balance 1/1/18	Additions	Reductions	Balance 12/31/18	Due 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 System's annual debt service requirements as of December 31, 2018 follows:

	Principal	Interest	Total
2019	\$ 920,000	\$ 2,115,484	\$ 3,035,484
2020	890,000	1,505,140	2,395,140
2021	940,000	1,460,640	2,400,640
2022	975,000	1,413,640	2,388,640
2023	1,030,000	1,364,890	2,394,890
2024-2028	5,985,000	5,997,950	11,982,950
2029-2033	7,005,000	4,628,075	11,633,075
2034-2038	8,375,000	2,330,575	10,705,575
2039	1,900,000	125,400	2,025,400
Total	<u>\$ 28,020,000</u>	<u>\$ 20,941,794</u>	<u>\$ 48,961,794</u>

7. DEFINED BENEFIT PENSION PLANS

The Electric System contributes to the Ohio Public Employees Retirement System and the City of Hamilton Metropolitan Pension Plan.

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:

	<u>2018</u>
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>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Electric System's contractually required contributions were \$1,059,572 for 2018. Of this amount, \$28,952 was reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions .The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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:

Proportionate Share of the Net Pension Liability	\$ 8,807,947
Proportion of the Net Pension Liability	0.0561443%
Change in Proportion	0.0027872%
Pension Expense	\$ 1,930,579

At December 31, 2018, the Electric System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Deferred Outflows of Resources	
Electric System change in proportionate share	\$ 394,944
Changes in assumptions	1,052,609
Differences between expected and actual experience	8,995
Electric System contributions subsequent to the measurement date	<u>1,059,572</u>
Total Deferred Outflows of Resources	<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>173,577</u>
Total Deferred Inflows of Resources	<u>\$ 2,091,778</u>

\$1,059,572 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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2019	\$ 965,034
2020	10,712
2021	(833,339)
2022	<u>(777,637)</u>
Total	<u>\$ (635,230)</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	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

During 2017, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expense and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Electric System's proportionate share of the net pension liability	\$ 15,640,731	\$ 8,807,947	\$ 3,111,527

B. Metropolitan Pension Plan

Employees of the City who were not included under the Ohio Public Employees Retirement System (OPERS) prior to May 15, 1962 and who were included under a Group Annuity Contract of the Metropolitan Life Insurance Company participate in the City of Hamilton Metropolitan Pension Plan, a single-employer defined benefit pension plan.

Upon retirement, plan participants are entitled to a supplemental retirement benefit paid by the City, equal to the difference between OPERS benefits that would have been payable to such employee had the employee been covered by OPERS during the full period of employment and actual OPERS benefits received. Benefit provisions of the plan are established and may be amended by the City Council through ordinance. All current participants in the Metropolitan Pension Plan are retired from service with the City.

The Metropolitan Pension Plan currently has no assets and the plan is not administered through a trust. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not with the scope of GASB Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions.

The total pension liability was deemed not material to the Electric System’s financial statements. As such, the Metropolitan Pension Plan liability is not reported in the financial statements.

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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of the employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 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 was \$0 for 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, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. 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:

Proportionate Share of the Net OPEB Liability	\$ 6,168,113
Proportion of the Net OPEB Liability	0.0568005%
Change in Proportion	0.0035299%
OPEB Expense	\$ 626,171

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

Deferred Outflows of Resources	
Electric System change in proportionate share	\$ 241,211
Changes in assumptions	449,104
Differences between expected and actual experience	4,805
Total Deferred Outflows of Resources	<u>\$ 695,120</u>
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	<u>\$ 459,483</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:	
2019	\$ 217,468
2020	217,468
2021	(84,428)
2022	(114,871)
Total	<u>\$ 235,637</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, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.50 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement monthly 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 Health 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, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes 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 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 expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	<u>17.00%</u>	<u>5.39%</u>
Total	<u>100.00%</u>	<u>4.98%</u>

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

Sensitivity of the 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 3.85 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 (2.85 percent) or 1.0 percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Electric System's proportionate share of the net OPEB liability	\$ 8,194,803	\$ 6,168,113	\$ 4,528,812

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Electric System's proportionate share of the net OPEB liability	\$ 5,901,712	\$ 6,168,113	\$ 6,443,602

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 contribution was \$16,780 for 2018.

At December 31, 2018, the number of plan-wide active participants and retirees were 597 and 632, 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, 2018. Following is information related to the changes in total OPEB liability:

Total OPEB Liability, 12/31/17	\$ 277,234
Service cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	<u>(16,780)</u>
Total OPEB Liability, 12/31/18	<u>\$ 265,451</u>

For the year ended December 31, 2018, the Electric System recognized negative OPEB expense of \$5,102.

At December 31, 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>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 8,970
Differences between expected and actual experience	<u>3,089</u>	<u>-</u>
Total	<u>\$ 3,089</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:		
2019	\$	(1,634)
2020		(1,634)
2021		(1,634)
2022		<u>(979)</u>
Total	\$	<u>(5,881)</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, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:	
Current measurement date	3.80 percent
Prior measurement date	3.50 percent
Actuarial Cost Method	Individual Entry Age
Mortality Rates:	
Healthy	RP-2014 Total Mortality Table for annuitants and non-annuitants
Disabled	RP-2014 Total Mortality Table
Base Year Adjustment	2006 using Scale MP-2014
Future Projections	Generational projection from 2006 using Scale MP-2018

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

Discount Rate. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.50 percent was used to measure the total OPEB liability on the measurement date of December 31, 2017. 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 3.80 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 (2.80 percent) and one-percentage-point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB liability	\$ 298,751	\$ 265,451	\$ 237,927

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 \$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 \$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 2018 of \$1,610,027 (\$971,234 and \$638,793).

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 \$3,978,000 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 43219.

(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 in 2018:

Payments - OMEGA JV2	\$ 1,029,568
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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, 2018, the Electric System had contractual commitments of approximately \$1,318,000 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. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2018, the Electric System implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

The implementation of GASB Statement No. 75 had the following effect on net position reported at December 31, 2017:

Net Position, December 31, 2017	\$	125,714,184
Adjustments:		
OPEB liability		(5,657,740)
Deferred outflow-payment subsequent to the measurement date		<u>75,596</u>
Restated Net Position, December 31, 2017	\$	<u><u>120,132,040</u></u>

Other than employer contributions subsequent to the measurement date, the Electric System made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**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 FIVE 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%

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 SIX 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%

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.

**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 TWO 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%	54.14%
2018	0.0568005%	6,168,113	7,559,592	81.59%	54.05%

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 THREE 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%

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%.

**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 TWO 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%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 CURRENT YEAR**

	2018
Beginning Total OPEB Liability	\$ 277,234
Service Cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	(16,780)
Ending Total OPEB Liability	\$ 265,451

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.



CITY OF HAMILTON, OHIO – GAS SYSTEM

Financial Statements

Years Ended December 31, 2018

With Independent Auditors' Report

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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 year ended December 31, 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 an opinion 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. 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 opinion.

Opinion

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, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As 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, 2018, and the changes in its financial position and cash flows for the year 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, during the year ended December 31, 2018, the Gas System adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 18, 2019

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Year Ended December 31, 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 year ended December 31, 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 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 2018 by \$32,239,065 (net position). Of this amount, \$846,279 (unrestricted net position) can be used to meet the system's ongoing obligations to customers and creditors.
- ❑ The system's total net position decreased by \$755,105 between 2018 and 2017, representing 2.3% decrease.
- ❑ In 2018, the Gas System's total long-term debt increased during 2018 due to issuance of \$1,720,000 in Series 2018 Gas Revenue Improvement Bonds for distribution improvements.

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 Year Ended December 31, 2018
Unaudited

The City is a participant, with other AMP communities in the AMP Fremont Energy Center (AFEC). The City is entitled to 34.5 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 (94.4%) and Electric (5.6%) Systems, creating an additional income stream for the Gas System, while providing a cost savings for the Electric System. In 2018, the Gas System sold 1,670,288 Dths to AFEC, via The Energy Authority, totaling \$4.675 million, or approximately \$2.80/Dth. These sales to AFEC netted approximately \$250,543 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 year ended December 31, 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 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 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 Year Ended December 31, 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 \$32,239,065 as of December 31, 2018. 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: 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, 2018 and 2017:

	2018	<i>Restated</i> 2017
Current and other assets	\$ 11,233,625	\$ 10,096,441
Capital assets	34,061,881	34,287,960
Total assets	<u>45,295,506</u>	<u>44,384,401</u>
Deferred outflows of resources	905,020	1,181,440
Long-term liabilities:		
Net pension liability	1,739,203	2,230,562
OPEB liabilities	1,483,397	1,339,660
Other long-term amounts	6,525,244	5,401,118
Other liabilities	3,701,245	3,551,341
Total liabilities	<u>13,449,089</u>	<u>12,522,681</u>
Deferred inflows of resources	512,372	48,990
Net investment in capital assets	28,892,737	29,910,088
Restricted	2,500,049	2,500,049
Unrestricted	846,279	584,033
Total net position	<u>\$ 32,239,065</u>	<u>\$ 32,994,170</u>

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Other than the revenue bonds outstanding, the net pension liability (NPL) is the next largest liability reported by the Gas System at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the Gas System adopted 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 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.

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 Year Ended December 31, 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 a result of implementing GASB Statement No. 75, the Gas System is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$34,319,913 to \$32,994,170.

As of December 31, 2018, the Gas System was able to report a positive balance in net position of \$32,239,065. In 2018 and 2017, the Gas System reported decreases in net position of \$755,105 and \$1,638,092, respectively. In 2018 and 2017, the Gas System reported operating losses of \$586,573 and \$1,360,369, respectively. Net operating loss of \$586,573 decreased \$773,796 from 2018 to 2017. A decrease in operating revenues in 2017 was attributable to a milder winter resulting in less customer usage and less expensive unit cost. This trend began reversing in 2018, as customer demand and related operating costs returned to normal operating levels. Net non-operating expenses of \$168,532 decreased by \$109,191, primarily due to better investment rates on higher cash and investment balances.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis

For the Year Ended December 31, 2018

Unaudited

Statements of Revenues, Expenses and Changes in Net Position

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 21,756,412	\$ 18,482,683
Operating expenses:		
Purchased gas	12,393,501	10,138,730
Depreciation	2,193,772	2,370,065
Other operating expenses	<u>7,755,712</u>	<u>7,334,257</u>
Total operating expenses	<u>22,342,985</u>	<u>19,843,052</u>
Operating loss	(586,573)	(1,360,369)
Non-Operating revenues (expenses)		
Interest and fiscal charges	(191,836)	(206,091)
Loss on disposal of capital assets	(99,823)	(119,996)
Other non-operating revenues	<u>123,127</u>	<u>48,364</u>
Total non-operating revenues (expenses)	<u>(168,532)</u>	<u>(277,723)</u>
Change in net position	(755,105)	(1,638,092)
Beginning net position	<u>32,994,170</u>	N/A
Ending net position	<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, 2018 and 2017 amounted to \$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 the Lindenwald gas main replacement project.

Note 5 (Capital Assets) provide Gas System capital asset activity during 2018.

Debt Administration: At the end of 2018, 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 \$5,245,000 as of December 31, 2018, 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 \$1,720,000 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 Year Ended December 31, 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 2018. 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 stabilized recently due to extraction of shale gas and reduced demand from recessionary pressures. The City continues to monitor potential threats to supply and the City's Gas System has continued its strong financial performance into 2018. 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
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS

Current assets:

Cash and investments	\$ 4,950,209
Accounts receivable (less allowance for uncollectible accounts of \$2,362,448)	3,466,405
Interest receivable	17,536
Inventory of supplies at cost	178,801
Prepaid expenses	<u>120,625</u>
Total current assets	<u>8,733,576</u>

Restricted assets:

Cash and investments	<u>2,500,049</u>
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Noncurrent assets:

Nondepreciable capital assets	3,638,610
Depreciable capital assets, net	<u>30,423,271</u>
Total noncurrent assets	<u>34,061,881</u>

Total assets	<u>45,295,506</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on debt refunding	267,845
Pension	496,829
OPEB	<u>140,346</u>
Total deferred outflows of resources	<u>905,020</u>

LIABILITIES

Current liabilities:

Accounts payable	2,074,835
Accrued wages and benefits	37,231
Intergovernmental payable	5,914
Accrued interest payable	40,762
Customer deposits payable	787,257
Compensated absences payable-current	170,246
Revenue bonds payable-current	<u>585,000</u>
Total current liabilities	<u>3,701,245</u>

Noncurrent liabilities:

Compensated absences payable	145,244
Revenue bonds payable	6,380,000
Net pension liability	1,739,203
Net OPEB liability	1,217,946
Total OPEB liability	<u>265,451</u>
Total noncurrent liabilities	<u>9,747,844</u>

Total liabilities	<u>13,449,089</u>
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DEFERRED INFLOWS OF RESOURCES

Pension	412,673
OPEB	<u>99,699</u>
Total deferred inflows of resources	<u>512,372</u>

NET POSITION

Net investment in capital assets	28,892,737
Restricted for debt service	49
Restricted for rate stabilization	2,500,000
Unrestricted	<u>846,279</u>
Total net position	<u>\$ 32,239,065</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - GAS SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018

Operating revenues:	
Charges for services	\$ 21,722,101
Other operating revenues	<u>34,311</u>
Total operating revenues	<u>21,756,412</u>
Operating expenses:	
Personal services	2,620,314
Materials and supplies	208,173
Contractual services	1,141,090
Purchased gas	12,393,501
Depreciation	2,193,772
Other operating expenses	<u>3,786,135</u>
Total operating expenses	<u>22,342,985</u>
Operating loss	(586,573)
Non-operating revenues (expenses):	
Investment earnings	123,127
Loss on disposal of capital assets	(99,823)
Interest and fiscal charges	<u>(191,836)</u>
Total non-operating revenues (expenses)	<u>(168,532)</u>
Change in net position	(755,105)
Net position - beginning of year, <i>restated</i>	<u>32,994,170</u>
Net position - end of year	\$ <u><u>32,239,065</u></u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - GAS SYSTEM
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:

Cash received from customers	\$ 22,047,042
Cash paid for employee services and benefits	(2,248,575)
Cash paid to suppliers for goods and services	(17,398,155)
Net cash from operating activities	<u>2,400,312</u>

Cash flows from capital and related financing activities:

Payments for capital acquisition	(2,142,824)
Debt proceeds	1,720,000
Debt principal payments	(525,000)
Debt interest payments	(149,193)
Net cash from capital and related financing activities	<u>(1,097,017)</u>

Cash flows from investing activities:

Interest from investments and change in fair value of investments	<u>116,320</u>
Net cash flow from investing activities	<u>116,320</u>

Net change in cash and investments	1,419,615
Cash and investments at beginning of year	<u>6,030,643</u>
Cash and investments at end of year	<u>\$ 7,450,258</u>

Reconciliation of operating loss to net cash
from operating activities

Operating loss	\$ (586,573)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	2,193,772
Change in deferred outflows-pension and OPEB	246,660
Change in deferred inflows-pension and OPEB	463,382
Changes in Assets and Liabilities:	
(Increase) decrease in receivables	290,630
(Increase) decrease in inventory	(1,167)
(Increase) decrease in prepaid items	(225)
Increase (decrease) in customer deposits payable	29,596
Increase (decrease) in payables	105,631
Increase (decrease) in accrued liabilities	5,222
Increase (decrease) in intergovernmental payables	1,006
Increase (decrease) in net pension liability	(491,359)
Increase (decrease) in net OPEB liability	155,520
Increase (decrease) in total OPEB liability	(11,783)
Net cash from operating activities	<u>\$ 2,400,312</u>

Schedule of noncash activities:

Outstanding liabilities for purchase of certain capital assets	<u>\$ 80,267</u>
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See notes to financial statements.

CITY OF HAMILTON, OHIO – GAS SYSTEM

Notes to Financial Statements Year Ended December 31, 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 \$7,450,209 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 \$49 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 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 2018, 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, 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 1.47 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2018 consist of the following:

Earned and unbilled consumer accounts	\$	1,894,645
Earned and billed consumer accounts		3,934,208
Less allowance for uncollectible accounts		<u>(2,362,448)</u>
Total	\$	<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 \$2,500,049 at December 31, 2018.

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5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	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	2,278,273	1,351,324	(701,869)	2,927,728
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	77,015,813	1,418,061	(166,659)	78,267,215
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	46,261,463	2,102,764	(66,836)	48,297,391
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 \$3,720,000 at December 31, 2018, 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% per annum.

Activity for the year ended December 31, 2018 was as follows:

	<i>Restated</i> 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>
2019	\$ 585,000	\$ 188,134	\$ 773,134
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
2024-2028	2,845,000	377,616	3,222,616
2029-2033	465,000	159,790	624,790
2034-2038	555,000	64,790	619,790
Total	<u>\$ 6,965,000</u>	<u>\$ 1,375,815</u>	<u>\$ 8,340,815</u>

7. DEFINED BENEFIT PENSION PLANS

The Gas System contributes to the Ohio Public Employees Retirement System and the City of Hamilton Metropolitan Pension Plan.

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 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:

	<u>2018</u>
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>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Gas System's contractually required contributions were \$209,221 for 2018. Of this amount, \$5,406 was reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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:

Proportionate Share of the Net Pension Liability	\$ 1,739,203
Proportion of the Net Pension Liability	0.0110862%
Change in Proportion	0.0012635%
Pension Expense	\$ 381,209

At December 31, 2018, the Gas System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Deferred Outflows of Resources

Gas System change in proportionate share	\$ 77,985
Changes in assumptions	207,847
Differences between expected and actual experience	1,776
Gas System contributions subsequent to the measurement date	209,221
Total Deferred Outflows of Resources	<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	34,274
Total Deferred Inflows of Resources	<u>\$ 412,673</u>

\$209,221 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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:		
	2019	\$ 189,997
	2020	2,109
	2021	(164,069)
	2022	(153,102)
Total		<u>\$ (125,065)</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	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

During 2017, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expense and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Gas System's proportionate share of the net pension liability	\$ 3,088,393	\$ 1,739,203	\$ 614,397

B. Metropolitan Pension Plan

Employees of the City who were not included under the Ohio Public Employees Retirement System (OPERS) prior to May 15, 1962 and who were included under a Group Annuity Contract of the Metropolitan Life Insurance Company participate in the City of Hamilton Metropolitan Pension Plan, a single-employer defined benefit pension plan.

Upon retirement, plan participants are entitled to a supplemental retirement benefit paid by the City, equal to the difference between OPERS benefits that would have been payable to such employee had the employee been covered by OPERS during the full period of employment and actual OPERS benefits received. Benefit provisions of the plan are established and may be amended by the City Council through ordinance. All current participants in the Metropolitan Pension Plan are retired from service with the City.

The Metropolitan Pension Plan currently has no assets and the plan is not administered through a trust. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions.

The total pension liability was deemed not material to the Gas System's financial statements. As such, the Metropolitan Pension Plan liability is not reported in the financial statements.

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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of the employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 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 was \$0 for 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, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. 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:

Proportionate Share of the Net OPEB Liability	\$ 1,217,946
Proportion of the Net OPEB Liability	0.0112157%
Change in Proportion	0.0006970%
OPEB Expense	\$ 123,643

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

Deferred Outflows of Resources	
Gas System change in proportionate share	\$ 47,629
Changes in assumptions	88,679
Differences between expected and actual experience	<u>949</u>
Total Deferred Outflows of Resources	<u><u>\$ 137,257</u></u>

Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	<u><u>\$ 90,729</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:	
2019	\$ 42,940
2020	42,940
2021	(16,671)
2022	<u>(22,681)</u>
Total	<u><u>\$ 46,528</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, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.50 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement monthly 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 Health 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, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes 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 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 expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	<u>17.00%</u>	<u>5.39%</u>
Total	<u>100.00%</u>	<u>4.98%</u>

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

Sensitivity of the 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 3.85 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 (2.85 percent) or 1.0 percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Gas System's proportionate share of the net OPEB liability	\$ 1,618,133	\$ 1,217,946	\$ 894,252

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Gas System's proportionate share of the net OPEB liability	\$ 1,165,343	\$ 1,217,946	\$ 1,272,344

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 contribution was \$16,780 for 2018.

At December 31, 2018, the number of plan-wide active participants and retirees were 597 and 632, 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, 2018. Following is information related to the changes in total OPEB liability:

Total OPEB Liability, 12/31/17	\$ 277,234
Service cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	(16,780)
Total OPEB Liability, 12/31/18	<u>\$ 265,451</u>

For the year ended December 31, 2018, the Gas System recognized negative OPEB expense of \$5,102.

At December 31, 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>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 8,970
Differences between expected and actual experience	<u>3,089</u>	<u>-</u>
Total	<u>\$ 3,089</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:	
2019	\$ (1,634)
2020	(1,634)
2021	(1,634)
2022	<u>(979)</u>
Total	<u>\$ (5,881)</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, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:

Current measurement date 3.80 percent
 Prior measurement date 3.50 percent

Actuarial Cost Method Individual Entry Age

Mortality Rates:

Healthy RP-2014 Total Mortality Table for annuitants and non-annuitants
 Disabled RP-2014 Total Mortality Table
 Base Year Adjustment 2006 using Scale MP-2014
 Future Projections Generational projection from 2006 using Scale MP-2018

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

Discount Rate. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.50 percent was used to measure the total OPEB liability on the measurement date of December 31, 2017. 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 3.80 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 (2.80 percent) and one-percentage-point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB liability	\$ 298,751	\$ 265,451	\$ 237,927

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 \$86,000 from the Electric System to the Gas System are included in operating revenues in 2018.

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 \$3,931,000 in 2018 and is 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, 2018, 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 \$501,000.

13. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2018, the Gas System implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

The implementation of GASB Statement No. 75 had the following effect on net position reported at December 31, 2017:

Net Position, December 31, 2017	\$	34,319,913
Adjustments:		
OPEB liability		(1,339,660)
Deferred outflow-payment subsequent to the measurement date		<u>13,917</u>
Restated Net Position, December 31, 2017	\$	<u><u>32,994,170</u></u>

Other than employer contributions subsequent to the measurement date, the Gas System made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**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 FIVE 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%

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 SIX 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%

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.

**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 TWO 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%	54.14%
2018	0.0112157%	1,217,946	1,391,669	87.52%	54.05%

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 THREE 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%

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%.

**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 TWO 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%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 CURRENT YEAR**

	2018
Beginning Total OPEB Liability	\$ 277,234
Service Cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	(16,780)
Ending Total OPEB Liability	<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.



CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM

Financial Statements

Years Ended December 31, 2018

With Independent Auditors' Report

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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 year ended December 31, 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 an opinion 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. 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 opinion.

Opinion

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, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As 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, 2018, and the changes in its financial position and cash flows for the year 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, during the year ended December 31, 2018, the Wastewater System adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 18, 2019

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Year Ended December 31, 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 year ended December 31, 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 2018 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 2018 by \$25,492,527 (net position). Of this amount, \$11,822,083 (unrestricted net position) can be used to meet the System's ongoing obligations to customers and creditors.
- The System's total net position decreased by \$1,830,306 between 2018 and 2017, representing a 6.7% decrease.
- In 2018, the Wastewater System's long-term debt, net of premiums and discounts, decreased by \$83,131 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 23,300 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 year ended December 31, 2018.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Year Ended December 31, 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 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 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 \$25,492,527 as of December 31, 2018. One of the largest portions of the net position of the Wastewater System during 2018 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: 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 Year Ended December 31, 2018
Unaudited

Table 1 provides a summary of the Wastewater System's Statement of Net Position for the Years Ended December 31, 2018 and 2017.

	2018	<i>Restated</i> 2017
Current and other assets	\$ 20,924,093	\$ 18,780,345
Capital assets	59,610,562	61,722,230
Total assets	80,534,655	80,502,575
Deferred outflows of resources	796,097	2,672,026
Long-term liabilities:		
Net pension liability	1,734,709	2,435,275
OPEB liabilities	1,480,251	1,336,915
Other long-term amounts	48,821,037	49,799,190
Other liabilities	3,290,685	2,227,642
Total liabilities	55,326,682	55,799,022
Deferred inflows of resources	511,543	52,746
Net investment in capital assets	9,566,844	12,677,212
Restricted	4,103,600	3,985,960
Unrestricted	11,822,083	10,659,661
Total net position	\$ 25,492,527	\$ 27,322,833

Other than outstanding debt, the net pension liability (NPL) is the next largest liability reported by the Wastewater System at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the Wastewater System adopted 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 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.

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

Wastewater System

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

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

Wastewater System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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 a result of implementing GASB Statement No. 75, the Wastewater System is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$28,644,555 to \$27,322,833.

As of December 31, 2018 and 2017, the Wastewater System is able to report positive balances in net position. The Wastewater System reported operating income of \$1,418,170 and \$750,837 in 2018 and 2017, respectively. Operating revenues increased by \$284,462, due to increase in customer rates, while operating expenses decreased by \$382,871, due to a decrease in depreciation expense as capital assets age.

Net non-operating expenses of \$3,248,476 increased by \$1,919,684, primarily due to an increase in interest costs associated with the maturity of \$25,445,000 in 2017 notes.

	2018	<i>Restated</i> 2017
Operating revenues	\$ 12,653,041	\$ 12,368,579
Operating expenses:		
Depreciation	3,284,325	3,563,726
Other operating expenses	7,950,546	8,054,016
Total operating expenses	11,234,871	11,617,742
Operating income	1,418,170	750,837
Non-Operating revenues (expenses)		
Interest and fiscal charges	(3,721,315)	(1,720,118)
Loss on disposal of capital assets	(80,917)	(22,137)
Other non-operating revenues	553,756	413,463
Total non-operating revenues (expenses)	(3,248,476)	(1,328,792)
Change in net position	(1,830,306)	(577,955)
Beginning net position	27,322,833	N/A
Ending net position	\$ 25,492,527	\$ 27,322,833

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Year Ended December 31, 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, 2018 and 2017 amounted to \$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 2018.

Debt Administration: At the end of 2018, the City had four outstanding long-term bond issues totaling \$44,340,000.

In April 2018, the Wastewater System retired \$25,445,000 in 2017 notes with the issuance of \$25,325,000 in 2018 revenue refunding bonds. Also in 2018, the Wastewater System issued \$555,000 in general obligation bonds for wastewater line improvements.

The Wastewater System received State agency loans during 2018 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 Year Ended December 31, 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
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS

Current assets:

Cash and investments	\$ 15,110,437
Accounts receivable (less allowance for uncollectible accounts of \$1,195,611)	1,539,700
Interest receivable	53,528
Inventory of supplies at cost	703
Prepaid expenses	116,125
Total current assets	<u>16,820,493</u>

Restricted assets:

Cash and investments	<u>4,103,600</u>
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Noncurrent assets:

Nondepreciable capital assets	6,305,754
Depreciable capital assets, net	<u>53,304,808</u>
Total noncurrent assets	<u>59,610,562</u>

Total assets

80,534,655

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on debt refunding	160,559
Pension	495,546
OPEB	<u>139,992</u>
Total deferred outflows of resources	<u>796,097</u>

LIABILITIES

Current liabilities:

Accounts payable	218,880
Accrued wages and benefits	40,579
Intergovernmental payable	6,120
Accrued interest payable	517,311
Customer deposits payable	297,035
Compensated absences payable - current portion	189,088
OWDA loans payable - current portion	20,221
OPWC loans payable - current portion	121,451
General obligation bonds payable - current portion	20,000
Revenue bonds payable - current portion	<u>1,860,000</u>
Total current liabilities	<u>3,290,685</u>

Non-current liabilities:

Compensated absences payable	166,842
OWDA loans payable	961,719
OPWC loans payable	3,522,072
General obligation bonds payable	535,000
Revenue bonds payable	43,635,404
Net pension liability	1,734,709
Net OPEB liability	1,214,800
Total OPEB liability	<u>265,451</u>
Total noncurrent liabilities	<u>52,035,997</u>

Total liabilities

55,326,682

DEFERRED INFLOWS OF RESOURCES

Pension	412,079
OPEB	<u>99,464</u>
Total deferred inflows of resources	<u>511,543</u>

NET POSITION

Net investment in capital assets	9,566,844
Restricted for debt service	2,103,600
Restricted for rate stabilization	2,000,000
Unrestricted	<u>11,822,083</u>
Total net position	<u>\$ 25,492,527</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WASTEWATER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018**

Operating revenues:	
Charges for services	\$ 12,637,387
Other operating revenues	<u>15,654</u>
Total operating revenues	<u>12,653,041</u>
Operating expenses:	
Personal services	2,506,446
Materials and supplies	275,653
Contractual services	2,574,377
Depreciation	3,284,325
Other operating expenses	<u>2,594,070</u>
Total operating expenses	<u>11,234,871</u>
Operating income	1,418,170
Non-operating revenues (expenses):	
Investment earnings	313,227
Grants	240,529
Loss on disposal of capital assets	(80,917)
Interest and fiscal charges	<u>(3,721,315)</u>
Total non-operating revenues (expenses)	<u>(3,248,476)</u>
Change in net position	(1,830,306)
Net position - beginning of year, <i>restated</i>	<u>27,322,833</u>
Net position - end of year	\$ <u><u>25,492,527</u></u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WASTEWATER SYSTEM
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities:

Cash received from customers	\$ 12,711,554
Cash paid for employee services and benefits	(2,293,827)
Cash paid to suppliers for goods and services	<u>(5,371,424)</u>
Net cash from operating activities	<u>5,046,303</u>

Cash flows from noncapital financing activities:

Intergovernmental grants	<u>240,529</u>
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Cash flows from capital and related financing activities:

Payments for capital acquisitions	(1,355,397)
Bond proceeds	25,880,000
Loan proceeds	815,911
Premiums on debt issuance	702,561
Revenue bond principal retirement	(1,720,000)
Note principal retirement	(25,445,000)
Loan principal retirement	(19,580)
Debt interest payments and fiscal charges	<u>(2,256,045)</u>
Net cash from capital and related financing activities	<u>(3,397,550)</u>

Cash flows from investing activities:

Interest from investments and change in fair value of investments	<u>299,325</u>
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Net change in cash and investments	2,188,607
Cash and investments at beginning of year	<u>17,025,430</u>
Cash and investments at end of year	\$ <u><u>19,214,037</u></u>

Reconciliation of operating income to net cash from operating activities:

Operating income	\$ 1,418,170
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	3,284,325
Change in deferred outflows-pension and OPEB	329,410
Change in deferred inflows-pension and OPEB	458,797
Changes in assets and liabilities:	
(Increase) decrease in receivables	58,513
(Increase) decrease in inventory	473
(Increase) decrease in prepaid items	(225)
Increase (decrease) in customer deposits payable	19,383
Increase (decrease) in payables	53,614
Increase (decrease) in accrued liabilities	(19,337)
Increase (decrease) in intergovernmental payables	410
Increase (decrease) in net pension liability	(700,566)
Increase (decrease) in net OPEB liability	155,119
Increase (decrease) in total OPEB liability	<u>(11,783)</u>
Net cash from operating activities	\$ <u><u>5,046,303</u></u>

Schedule of noncash activities:

Outstanding liabilities for purchase of certain capital assets	\$ <u>78,741</u>
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See notes to financial statements.

CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM

Notes to Financial Statements Year Ended December 31, 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 and discounts were \$300,141 and \$3,118, respectively, during 2018.

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.

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 \$17,110,437 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 \$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 2018, 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, 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 1.47 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2018 consist of the following:

Earned and unbilled consumer accounts	\$	716,354
Earned and billed consumer accounts		2,014,761
Other		4,196
Less allowance for uncollectible accounts		<u>(1,195,611)</u>
 Total	 \$	 <u><u>1,539,700</u></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 \$4,103,600 at December 31, 2018.

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5. CAPITAL ASSETS

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. The Series 2009B Build America Bonds fully mature in 2039 with interest ranging from 6.11 to 6.62 percent per annum.

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 December 2017, the Wastewater System defeased \$26,220,000 of Wastewater System Revenue Bonds, along with portions of Electric and Wastewater Revenue Bonds, through the issuance of \$45,220,000 of Various Purpose General Obligation Notes. The Wastewater System's portion of the 2017 Notes was \$25,445,000. These notes were refunded in 2018 as discussed below.

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.

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

	<i>Restated</i> 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)	-
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, 2018 are as follows:

	Revenue Bonds			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,860,000	\$ 1,993,762	\$ 3,853,762	\$ 20,000	\$ 18,518	\$ 38,518
2020	1,925,000	1,920,077	3,845,077	20,000	17,718	37,718
2021	2,000,000	1,835,030	3,835,030	20,000	16,918	36,918
2022	2,065,000	1,754,073	3,819,073	25,000	16,118	41,118
2023	2,155,000	1,654,860	3,809,860	25,000	15,368	40,368
2024-2028	9,725,000	6,815,946	16,540,946	125,000	65,690	190,690
2029-3033	8,320,000	4,757,830	13,077,830	150,000	46,068	196,068
2034-2038	10,340,000	2,726,009	13,066,009	170,000	18,851	188,851
2039-2041	5,395,000	424,049	5,819,049	-	-	-
Total	<u>\$ 43,785,000</u>	<u>\$ 23,881,636</u>	<u>\$ 67,666,636</u>	<u>\$ 555,000</u>	<u>\$ 215,249</u>	<u>\$ 770,249</u>

In 2010, the Wastewater System entered into an 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, 2018, the outstanding loan balance was \$291,531.

In 2018, the Wastewater System entered into an 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 and is received by the Wastewater System in increments as the project is completed. As of December 31, 2018, the Wastewater System had received \$609,409 from OWDA. Subsequent amounts will be received in future years. As of December 31, 2018, the loan has not been finalized and there is no amortization schedule for the loan.

In 2016, the Wastewater System obtained financing through the Ohio Public Works Commission (OPWC) for the Gilmore Road Pump Station (Phases I and II) with a 0 percent interest rate. As of December 31, 2018, the outstanding balance of the loan is \$3,643,523.

The future financing requirements on the completed OWDA and OPWC project loan balances at December 31, 2018 was:

	Principal	Interest	Total
2019	141,672	9,311	150,983
2020	142,335	8,649	150,984
2021	143,019	7,965	150,984
2022	143,726	7,258	150,984
2023	144,456	6,529	150,985
2024-2028	734,089	20,830	754,919
2029-3033	663,999	2,323	666,322
2034-2038	607,255	-	607,255
2039-2043	607,252	-	607,252
2044-2048	607,251	-	607,251
Total	<u>3,935,054</u>	<u>62,865</u>	<u>3,997,919</u>

7. **DEFINED BENEFIT PENSION PLANS**

The Wastewater System contributes to the Ohio Public Employees Retirement System and the City of Hamilton Metropolitan Pension Plan.

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 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 as follows:

	<u>2018</u>
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>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Wastewater System’s contractually required contributions were \$208,681 for 2018. Of this amount, \$5,612 was reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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:

Proportionate Share of the Net Pension Liability	\$ 1,734,709
Proportion of the Net Pension Liability	0.0110575%
Change in Proportion	0.0003333%
Pension Expense	\$ 380,224

At December 31, 2018, the Wastewater System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Deferred Outflows of Resources

Wastewater System change in proportionate share	\$ 77,784
Changes in assumptions	207,309
Differences between expected and actual experience	1,772
Wastewater System contributions subsequent to the measurement date	<u>208,681</u>
Total Deferred Outflows of Resources	<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>34,186</u>
Total Deferred Inflows of Resources	<u>\$ 412,079</u>

\$208,681 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, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:

2019	\$ 190,224
2020	2,111
2021	(164,264)
2022	<u>(153,285)</u>
Total	<u>\$ (125,214)</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	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

During 2017, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expense and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Wastewater System's proportionate share of the net pension liability	\$ 3,080,413	\$ 1,734,709	\$ 612,810

B. Metropolitan Pension Plan

Employees of the City who were not included under the Ohio Public Employees Retirement System (OPERS) prior to May 15, 1962 and who were included under a Group Annuity Contract of the Metropolitan Life Insurance Company participate in the City of Hamilton Metropolitan Pension Plan, a single-employer defined benefit pension plan.

Upon retirement, plan participants are entitled to a supplemental retirement benefit paid by the City, equal to the difference between OPERS benefits that would have been payable to such employee had the employee been covered by OPERS during the full period of employment and actual OPERS benefits received. Benefit provisions of the plan are established and may be amended by the City Council through ordinance. All current participants in the Metropolitan Pension Plan are retired from service with the City.

The Metropolitan Pension Plan currently has no assets and the plan is not administered through a trust. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not with the scope of GASB Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions.

The total pension liability was deemed not material to the Wastewater System’s financial statements. As such, the Metropolitan Pension Plan liability is not reported in the financial statements.

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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of the employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 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 was \$0 for 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, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. 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:

Proportionate Share of the Net OPEB Liability	\$ 1,214,800
Proportion of the Net OPEB Liability	0.0111868%
Change in Proportion	0.0006952%
OPEB Expense	\$ 123,323

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

Deferred Outflows of Resources

Wastewater System change in proportionate share	\$ 47,506
Changes in assumptions	88,451
Differences between expected and actual experience	<u>946</u>
Total Deferred Outflows of Resources	<u>\$ 136,903</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on OPEB plan investments	<u>\$ 90,494</u>
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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:

2019	\$ 42,831
2020	42,831
2021	(16,628)
2022	<u>(22,625)</u>
Total	<u>\$ 46,409</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, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.50 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement monthly 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 Health 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, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes 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 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 expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	<u>17.00%</u>	<u>5.39%</u>
Total	<u>100.00%</u>	<u>4.98%</u>

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

Sensitivity of the 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 3.85 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 (2.85 percent) or 1.0 percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Wastewater System's proportionate share of the net OPEB liability	\$ 1,613,953	\$ 1,214,800	\$ 891,942

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Wastewater System's proportionate share of the net OPEB liability	\$ 1,162,333	\$ 1,214,800	\$ 1,269,057

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 contribution was \$16,780 for 2018.

At December 31, 2018, the number of plan-wide active participants and retirees were 597 and 632, 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, 2018. Following is information related to the changes in total OPEB liability:

Total OPEB Liability, 12/31/17	\$ 277,234
Service cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	<u>(16,780)</u>
Total OPEB Liability, 12/31/18	<u>\$ 265,451</u>

For the year ended December 31, 2018, the Wastewater System recognized negative OPEB expense of \$5,102.

At December 31, 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>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 8,970
Differences between expected and actual experience	<u>3,089</u>	<u>-</u>
Total	<u>\$ 3,089</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:	
2019	\$ (1,634)
2020	(1,634)
2021	(1,634)
2022	<u>(979)</u>
Total	<u>\$ (5,881)</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, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:	
Current measurement date	3.80 percent
Prior measurement date	3.50 percent
Actuarial Cost Method	Individual Entry Age
Mortality Rates:	
Healthy	RP-2014 Total Mortality Table for annuitants and non-annuitants
Disabled	RP-2014 Total Mortality Table
Base Year Adjustment	2006 using Scale MP-2014
Future Projections	Generational projection from 2006 using Scale MP-2018

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

Discount Rate. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.50 percent was used to measure the total OPEB liability on the measurement date of December 31, 2017. 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 3.80 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 (2.80 percent) and one-percentage-point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB liability	\$ 298,751	\$ 265,451	\$ 237,927

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 \$638,793 were made in 2018 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 \$2,519,000 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. CONTRACTUAL COMMITMENTS

At December 31, 2018, the Wastewater System had contractual commitments in the amounts of approximately \$13,000 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 Wastewater System operations.

13. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2018, the Wastewater System implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

The implementation of GASB Statement No. 75 had the following effect on net position reported at December 31, 2017:

Net Position, December 31, 2017	\$	28,644,555
Adjustments:		
OPEB liability		(1,336,915)
Deferred outflow-payment subsequent to the measurement date		<u>15,193</u>
Restated Net Position, December 31, 2017	\$	<u><u>27,322,833</u></u>

Other than employer contributions subsequent to the measurement date, the Wastewater System made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**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 FIVE 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%

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 SIX 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%

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.

**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 TWO 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%	54.14%
2018	0.0111868%	1,214,800	1,519,392	79.95%	54.05%

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 THREE 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%

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%.

**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 TWO 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%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 CURRENT YEAR**

	2018
Beginning Total OPEB Liability	\$ 277,234
Service Cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	(16,780)
Ending Total OPEB Liability	<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.



CITY OF HAMILTON, OHIO – WATER SYSTEM

Financial Statements

Years Ended December 31, 2018

With Independent Auditors' Report

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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 year ended December 31, 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 an opinion 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. 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 opinion.

Opinion

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, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As 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, 2018, and the changes in its financial position and cash flows for the year 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, during the year ended December 31, 2018, the Water System adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 18, 2019

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Year Ended December 31, 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 year ended December 31, 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 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 2018 by \$70,975,818 (net position). Of this amount, \$4,324,687 (unrestricted net position) may be used to meet the system's ongoing obligations to customers and creditors.
- ❑ The system's total net position decreased by \$1,368,067 between 2017 and 2018, representing a 1.9% decrease.
- ❑ In 2018, the Water System's long-term debt, net of premiums and discounts, increased by \$4,297,735, as the Water System continued to receive loans from the Ohio Water Development Authority and Ohio Public Works Commission and issued \$2,965,000 in revenue bonds.

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.

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 year ended December 31, 2018.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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 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 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.

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 \$70,975,818 as of December 31, 2018. 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: 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, 2018 and 2017.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

	2018	<i>Restated</i> 2017
Current and other assets	\$ 13,309,808	\$ 10,805,385
Capital assets	97,831,400	96,084,026
Total assets	111,141,208	106,889,411
 Deferred outflows of resources	 1,367,606	 2,169,630
 Long-term liabilities:		
Net pension liability	2,570,300	3,425,456
OPEB liabilities	2,065,404	1,847,352
Other long-term amounts	33,757,369	29,532,838
Other liabilities	2,386,705	1,839,813
Total liabilities	40,779,778	36,645,459
 Deferred inflows of resources	 753,218	 69,697
 Net investment in capital assets	 65,019,187	 66,920,743
Restricted	1,631,944	1,691,218
Unrestricted	4,324,687	3,731,924
Total net position	\$ 70,975,818	\$ 72,343,885

Other than outstanding debt, the net pension liability (NPL) is the next largest liability reported by the Water System at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the Water System adopted 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 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.

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.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

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.

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.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

As a result of implementing GASB Statement No. 75, the Water System is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$74,169,865 to \$72,343,885.

The Water System reported decreases in net position of \$1,368,067 and \$2,558,657 in 2018 and 2017, respectively. The Water System reported an operating loss of \$1,450,920 for 2017; however, was able to report operating income of \$188,724 in 2018. The decrease in operating expenses can be attributable to saving in the City's lime purchasing and disposal contract and less paving repairs in 2018.

Net non-operating expenses of \$1,556,791, increased by \$449,054 from 2017 primarily due to an increase in interest costs associated with the maturity of \$5,980,000 in 2017 notes.

Statement of Revenues, Expenses and Changes in Net Position

	2018	<i>Restated</i> 2017
Operating revenues	\$ 13,904,531	\$ 13,390,954
Operating expenses:		
Depreciation	3,407,890	3,524,198
Other operating expenses	10,307,917	11,317,676
Total operating expenses	13,715,807	14,841,874
Operating income (loss)	188,724	(1,450,920)
Non-Operating revenues (expenses)		
Interest and fiscal charges	(1,891,063)	(1,281,756)
Loss on disposal of capital assets	(24,784)	(110,681)
Other non-operating revenues	359,056	284,700
Total non-operating revenues (expenses)	(1,556,791)	(1,107,737)
Change in net position	(1,368,067)	(2,558,657)
Beginning net position	72,343,885	N/A
Ending net position	\$ 70,975,818	\$ 72,343,885

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Year Ended December 31, 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, 2018 and 2017 amounted to \$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 2018 included the water main replacements on Theodore Avenue and as part of the Main Street streetscape project.

Note 5 (Capital Assets) provides Water System asset activity during 2018.

Debt Administration: At the end of 2018, the Water System had five outstanding long-term revenue bond issues totaling \$28,855,000.

In April 2018, the Water System retired \$5,980,000 in 2017 notes with the issuance of \$5,625,000 in 2018 revenue refunding bonds. In August 2018, the Water System issued \$2,965,000 in revenue bonds to fund water main replacements and other necessary improvements.

The Water System received several State agency loans during 2018 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 2018.

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 Year Ended December 31, 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 Ohio Section of the American Water Works Association Water Tasting Contest in 2010, 2012, and 2013. Furthermore, the City's water won "The World's Best Tasting Tap Water" at the Berkeley Springs competition in 2010 and 2015.

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
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS

Current assets:	
Cash and investments	\$ 9,527,214
Accounts receivable (less allowance for uncollectible accounts of \$775,036)	1,783,802
Interest receivable	33,750
Inventory of supplies at cost	216,973
Prepaid expenses	<u>116,125</u>
Total current assets	<u>11,677,864</u>
Restricted assets:	
Cash and investments	<u>1,631,944</u>
Noncurrent assets:	
Nondepreciable capital assets	10,480,236
Depreciable capital assets, net	<u>87,351,164</u>
Total noncurrent assets	<u>97,831,400</u>
Total assets	<u>111,141,208</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on debt refunding	427,426
Pension	734,244
OPEB	<u>205,936</u>
Total deferred outflows of resources	<u>1,367,606</u>

LIABILITIES

Current liabilities:	
Accounts payable	607,704
Accrued wages and benefits	61,442
Intergovernmental payable	9,144
Accrued interest payable	302,702
Customer deposits payable	267,469
Compensated absences payable-current	247,990
OWDA loans payable - current portion	35,938
OPWC loans payable - current portion	39,316
Revenue bonds payable - current portion	<u>815,000</u>
Total current liabilities	<u>2,386,705</u>
Non-current liabilities:	
Compensated absences payable	248,683
OWDA loans payable	850,160
OPWC loans payable	3,459,398
Revenue bonds payable	29,199,128
Net pension liability	2,570,300
Net OPEB liability	1,799,953
Total OPEB liability	<u>265,451</u>
Total noncurrent liabilities	<u>38,393,073</u>
Total liabilities	<u>40,779,778</u>

DEFERRED INFLOWS OF RESOURCES

Pension	610,163
OPEB	<u>143,055</u>
Total deferred inflows of resources	<u>753,218</u>

NET POSITION

Net investment in capital assets	65,019,187
Restricted for debt service	631,944
Restricted for rate stabilization	1,000,000
Unrestricted	<u>4,324,687</u>
Total net position	<u>\$ 70,975,818</u>

CITY OF HAMILTON, OHIO - WATER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018

Operating revenues:	
Charges for services	\$ 13,774,863
Other operating revenues	<u>129,668</u>
Total operating revenues	<u>13,904,531</u>
Operating expenses:	
Personal services	3,754,819
Materials and supplies	1,259,493
Contractual services	2,452,917
Depreciation	3,407,890
Other operating expenses	<u>2,840,688</u>
Total operating expenses	<u>13,715,807</u>
Operating income	188,724
Non-operating revenues (expenses):	
Investment earnings	166,128
Grants	192,928
Loss on disposal of capital assets	(24,784)
Interest and fiscal charges	<u>(1,891,063)</u>
Total non-operating revenues (expenses)	<u>(1,556,791)</u>
Change in net position	(1,368,067)
Net position - beginning of year, <i>restated</i>	<u>72,343,885</u>
Net position - end of year	\$ <u><u>70,975,818</u></u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - WATER SYSTEM
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:

Cash received from customers	\$ 13,918,572
Cash paid for employee services and benefits	(3,234,235)
Cash paid to suppliers for goods and services	<u>(6,397,851)</u>
Net cash from operating activities	<u>4,286,486</u>

Cash Flows from noncapital financing activities:

Intergovernmental grants	<u>192,928</u>
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Cash flows from capital and related financing activities:

Payment for capital acquisitions	(4,943,579)
Note retirement	(5,980,000)
Debt proceeds	9,098,026
Revenue bond principal retirement	(735,000)
OWDA loan principal retirement	(46,712)
OPWC loan proceeds	2,074,202
OPWC loan principal retirement	(24,998)
Debt interest payments	<u>(1,529,723)</u>
Net cash from capital and related financing activities	<u>(2,087,784)</u>

Cash flows from investing activities:

Interest from investments and change in fair value of investments	<u>153,416</u>
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Net change in cash and cash equivalents	2,545,046
Cash and cash equivalents at beginning of year	<u>8,614,112</u>
Cash and cash equivalents at end of year	\$ <u>11,159,158</u>

Reconciliation of operating income to net cash
from operating activities

Operating income	\$ 188,724
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	3,407,890
Change in deferred outflows-pension and OPEB	417,117
Change in deferred inflows-pension and OPEB	683,521
Changes in assets and liabilities:	
(Increase) decrease in receivables	14,041
(Increase) decrease in inventory	39,519
(Increase) decrease in prepaid items	(225)
Increase (decrease) in customer deposits payable	18,908
Increase (decrease) in payables	100,136
Increase (decrease) in accrued liabilities	52,703
Increase (decrease) in intergovernmental payables	1,256
Increase (decrease) in net pension liability	(855,156)
Increase (decrease) in net OPEB liability	229,835
Increase (decrease) in total OPEB liability	<u>(11,783)</u>
Net cash from operating activities	\$ <u>4,286,486</u>

Schedule of noncash activities:

Outstanding liabilities for purchase of certain capital assets	\$ <u>323,910</u>
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CITY OF HAMILTON, OHIO – WATER SYSTEM

Notes to Financial Statements Year Ended December 31, 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 and premiums were \$2,061 and \$89,844, respectively, during 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.

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 \$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 \$631,944 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 2018, 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, 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 1.47 years and STAR Ohio which has a credit rating of AAAM.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2018 consist of the following:

Earned and unbilled consumer accounts	\$	1,212,574
Earned and billed consumer accounts		1,320,443
Other		25,821
Less allowance for uncollectible accounts		<u>(775,036)</u>
Total	\$	<u><u>1,783,802</u></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 \$1,631,944 at December 31, 2018.

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5. CAPITAL ASSETS

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	<u>5,110,278</u>	<u>3,304,823</u>	<u>(421,971)</u>	<u>7,993,130</u>
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	<u>128,154,241</u>	<u>2,297,196</u>	<u>(168,449)</u>	<u>130,282,988</u>
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	<u>47,837,473</u>	<u>2,708,693</u>	<u>(143,665)</u>	<u>50,402,501</u>
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 mature in 2029 with interest from 2.25 to 4.63 percent per annum. The Series 2009B Build America Bonds fully mature in 2039 with interest of 6.62 percent per annum.

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 an 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, 2018, the outstanding balance of the loan is \$886,098.

In 2016, the Water System obtained financing through the Ohio Public Works Commission (OPWC) 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, 2018, the outstanding balance of the loan is \$724,943.

In 2016, the Water System obtained financing through the OPWC 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, 2018, the Water System had received \$556,485 from the OPWC. Subsequent amounts will be received in future years. As of December 31, 2018, the loan has not been finalized and there is no amortization schedule for the loan.

In 2017, the Water System obtained financing through the OPWC 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, 2018, the outstanding balance of the loan is \$429,525.

In December 2017, the Water System defeased \$5,685,000 of Water System Revenue Bonds, along with portions of Electric and Wastewater Revenue Bonds, through the issuance of \$45,220,000 of Various Purpose General Obligation Notes. The Water System's portion of the 2017 Notes was \$5,980,000. These notes were refunded in 2018 as discussed below.

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 of 3.0 to 4.0 percent per annum.

In 2018, the Water System obtained financing through the OPWC for a water main replacement at Southern Hills at an interest rate of 0 percent. This loan is received in increments as the project progresses. As of December 31, 2018, the Water System had received \$1,787,761 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2018, the loan has not been finalized and there is no amortization schedule for the loan.

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

	<i>Restated</i> 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)	-	-
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, 2018 are as follows:

	Principal	Interest	Total
2019	\$ 815,000	\$ 1,640,149	\$ 2,455,149
2020	835,000	1,372,186	2,207,186
2021	860,000	1,345,486	2,205,486
2022	890,000	1,316,511	2,206,511
2023	915,000	1,285,711	2,200,711
2024-2028	5,125,000	5,891,747	11,016,747
2029-2033	6,130,000	4,636,515	10,766,515
2034-2038	7,445,000	2,707,451	10,152,451
2039-2043	4,475,000	764,785	5,239,785
2044-2048	1,365,000	110,326	1,475,326
Total	<u>\$ 28,855,000</u>	<u>\$ 21,070,867</u>	<u>\$ 49,925,867</u>

Maturities of the completed OWDA and OPWC loans as of December 31, 2018 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 75,254	\$ 11,723	\$ 86,977
2020	81,419	11,169	92,588
2021	81,981	10,607	92,588
2022	82,551	10,038	92,589
2023	83,128	9,461	92,589
2024-2028	424,565	38,377	462,942
2029-2033	440,187	22,754	462,941
2034-2038	403,328	6,238	409,566
2039-2043	196,575	-	196,575
2044-2048	171,578	-	171,578
Total	<u>\$ 2,040,566</u>	<u>\$ 120,367</u>	<u>\$ 2,160,933</u>

7. DEFINED BENEFIT PENSION PLANS

The Water System contributes to the Ohio Public Employees Retirement System and the City of Hamilton Metropolitan Pension Plan.

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 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 as follows:

	<u>2018</u>
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>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Water System's contractually required contributions were \$309,200 for 2018. Of this amount, \$8,636 was reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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:

Proportionate Share of the Net Pension Liability	\$ 2,570,300
Proportion of the Net Pension Liability	0.0163838%
Change in Proportion	0.0012992%
Pension Expense	\$ 563,374

At December 31, 2018, the Water System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Deferred Outflows of Resources	
Water System change in proportionate share	\$ 115,251
Changes in assumptions	307,168
Differences between expected and actual experience	2,625
Water System contributions subsequent to the measurement date	<u>309,200</u>
Total Deferred Outflows of Resources	<u><u>\$ 734,244</u></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>50,653</u>
Total Deferred Inflows of Resources	<u><u>\$ 610,163</u></u>

\$309,200 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2019	\$ 281,230
2020	3,122
2021	(242,852)
2022	<u>(226,619)</u>
Total	<u><u>\$ (185,119)</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 (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	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

During 2017, OPERS managed investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expense and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Water System's proportionate share of the net pension liability	\$ 4,564,216	\$ 2,570,300	\$ 907,994

B. Metropolitan Pension Plan

Employees of the City who were not included under the Ohio Public Employees Retirement System (OPERS) prior to May 15, 1962 and who were included under a Group Annuity Contract of the Metropolitan Life Insurance Company participate in the City of Hamilton Metropolitan Pension Plan, a single-employer defined benefit pension plan.

Upon retirement, plan participants are entitled to a supplemental retirement benefit paid by the City, equal to the difference between OPERS benefits that would have been payable to such employee had the employee been covered by OPERS during the full period of employment and actual OPERS benefits received. Benefit provisions of the plan are established and may be amended by the City Council through ordinance. All current participants in the Metropolitan Pension Plan are retired from service with the City.

The Metropolitan Pension Plan currently has no assets and the plan is not administered through a trust. GASB Statement No. 73 establishes requirements for defined benefit pensions that are not with the scope of GASB Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions.

The total pension liability was deemed not material to the Water System’s financial statements. As such, the Metropolitan Pension Plan liability is not reported in the financial statements.

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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of the employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 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 was \$0 for 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, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. 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:

Proportionate Share of the Net OPEB Liability	\$	1,799,953
Proportion of the Net OPEB Liability		0.0165753%
Change in Proportion		0.0010301%
OPEB Expense	\$	182,727

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

Deferred Outflows of Resources		
Water System change in proportionate share	\$	70,389
Changes in assumptions		131,056
Differences between expected and actual experience		1,402
Total Deferred Outflows of Resources	\$	<u>202,847</u>

Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$	<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:		
2019	\$	63,460
2020		63,460
2021		(24,637)
2022		(33,521)
Total	\$	<u>68,762</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, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.50 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement monthly 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 Health 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, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes 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 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 expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	<u>17.00%</u>	<u>5.39%</u>
Total	<u>100.00%</u>	<u>4.98%</u>

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

Sensitivity of the 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 3.85 percent, as well as what the Water System's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.85 percent) or 1.0 percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Water System's proportionate share of the net OPEB liability	\$ 2,391,373	\$ 1,799,953	\$ 1,321,579

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Water System's proportionate share of the net OPEB liability	\$ 1,722,213	\$ 1,799,953	\$ 1,880,345

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 contribution was \$16,780 for 2018.

At December 31, 2018, the number of plan-wide active participants and retirees were 597 and 632, 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, 2018. Following is information related to the changes in total OPEB liability:

Total OPEB Liability, 12/31/17	\$ 277,234
Service cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	<u>(16,780)</u>
Total OPEB Liability, 12/31/18	<u>\$ 265,451</u>

For the year ended December 31, 2018, the Water System recognized negative OPEB expense of \$5,102.

At December 31, 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>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 8,970
Differences between expected and actual experience	<u>3,089</u>	<u>-</u>
Total	<u>\$ 3,089</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:		
2019	\$	(1,634)
2020		(1,634)
2021		(1,634)
2022		<u>(979)</u>
Total	\$	<u>(5,881)</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, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:	
Current measurement date	3.80 percent
Prior measurement date	3.50 percent
Actuarial Cost Method	Individual Entry Age
Mortality Rates:	
Healthy	RP-2014 Total Mortality Table for annuitants and non-annuitants
Disabled	RP-2014 Total Mortality Table
Base Year Adjustment	2006 using Scale MP-2014
Future Projections	Generational projection from 2006 using Scale MP-2018

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

Discount Rate. A single discount rate of 3.80 percent was used to measure the total OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.50 percent was used to measure the total OPEB liability on the measurement date of December 31, 2017. 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 3.80 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 (2.80 percent) and one-percentage-point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB liability	\$ 298,751	\$ 265,451	\$ 237,927

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 \$971,234 from the Electric System are included in operating expenses in 2018.

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 \$3,018,000 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 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, 2018, the Water System had contractual commitments in the amounts of approximately \$936,000 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. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For 2018, the Water System implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

The implementation of GASB Statement No. 75 had the following effect on net position reported at December 31, 2017:

Net Position, December 31, 2017	\$	74,169,865
Adjustments:		
OPEB liability		(1,847,352)
Deferred outflow-payment subsequent to the measurement date		<u>21,372</u>
Restated Net Position, December 31, 2017	\$	<u><u>72,343,885</u></u>

Other than employer contributions subsequent to the measurement date, the Water System made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**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 FIVE 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%

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 SIX 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%

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.

**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 TWO 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%	54.14%
2018	0.0165753%	1,799,953	2,137,177	84.22%	54.05%

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 THREE 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%

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%.

**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 TWO 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%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
 CURRENT YEAR**

	<u>2018</u>
Beginning Total OPEB Liability	\$ 277,234
Service Cost	3,100
Interest	9,412
Difference between expected and actual experience	3,947
Changes in assumptions	(11,462)
Benefit payments	(16,780)
Ending Total OPEB Liability	<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.



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 18, 2019**