



**CITY OF KENTON
HARDIN COUNTY
DECEMBER 31, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	15
Statement of Activities – Cash Basis	16
Fund Financial Statements:	
Statement of Assets and Fund Cash Balances – Cash Basis - Governmental Funds	18
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Cash Basis - Governmental Funds	19
Statement of Net Position – Cash Basis – Enterprise Funds	20
Statement of Cash Receipts, Cash Disbursements, and Changes in Net Position - Cash Basis - Enterprise Funds.....	21
Statement of Fiduciary Net Position – Cash Basis – Custodial Fund....	22
Statement of Changes in Fiduciary Net Position - Cash Basis - Custodial Fund	23
Notes to the Basic Financial Statements	25
Supplementary Information:	
Schedule of Receipts, Disbursements and Changes in Fund Cash Balance Budget and Actual (Budgetary Basis) - General Fund	65
Schedule of Receipts, Disbursements and Changes in Fund Cash Balance Budget and Actual (Budgetary Basis) – Street Fund	66
Notes to the Supplementary Information	67
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Schedule of Findings.....	71
Prepared by Management:	
Summary Schedule of Prior Audit Findings	73

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Kenton
Hardin County
PO Box 220
Kenton, Ohio 43326

To the Members of Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenton, Hardin County, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in cash-basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted to opine on the financial statements as a whole that collectively comprise the City's basic financial statements.

The City presents Schedule of Receipts, Disbursements and Changes in Fund Cash Balance Budget and Actual (Budgetary Basis) for the General and Street funds. These schedules provide additional analysis and are 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 to 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, these schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.



Keith Faber
Auditor of State
Columbus, Ohio

July 28, 2022

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**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

The management's discussion and analysis of the City of Kenton (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021, within the limitations of the City's cash basis of accounting. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2021 are as follows:

- The total net cash position of the City increased \$2,557,717. Net cash position of governmental activities increased \$1,150,819 or 35.45%. Net cash position of business-type activities increased \$1,406,898 or 50.77%.
- General cash receipts accounted for \$5,018,918 or 72.46% of total governmental activities cash receipts. Program specific cash receipts accounted for \$1,907,397 or 27.54% of total governmental activities cash receipts.
- The City had \$5,777,996 in cash disbursements related to governmental activities; \$1,907,397 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$5,018,918 were adequate to provide for these programs.
- The City's major governmental funds are the general fund and the street fund. The general fund had cash receipts and other financing sources of \$5,099,716 and cash disbursements and other financing uses of \$4,122,239 in 2021. The fund cash balance of the general fund increased from \$2,457,217 to \$3,434,694.
- The street fund had cash receipts and other financing sources of \$620,973 and cash disbursements and other financing uses of \$777,672 in 2021. The fund cash balance of the street fund decreased from \$271,859 to \$115,160.
- The City's major enterprise funds are the water fund, the sewer fund, and the refuse fund. Net cash position for the water fund increased in 2021 by \$204,032 or 13.76%. Net cash position for the sewer fund increased in 2021 by \$1,060,280 or 89.17%. Net cash position for the refuse fund decreased in 2021 by \$21,303 or 21.51%.

Using the Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's cash basis of accounting.

The statement of net position - cash basis and the statement of activities - cash basis provide information about the activities of the whole City, presenting an aggregate view of the City's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City, the general fund and the street fund are the only major governmental funds.

Reporting the City as a Whole

Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did the City perform financially during 2021?" These statements include only net cash position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year receipts and disbursements if the cash is actually received or paid.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

These two statements report the City's net cash position and changes in net cash position on a cash basis. This change in net cash position is important because it tells the reader that, for the City as a whole, the cash basis financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property and income tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and State programs, and other factors.

As a result of the use of the cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these basic financial statements; therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position - cash basis and the statement of activities - cash basis, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including public safety, public works, health, leisure time activities, and general government.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the cash disbursements of the goods or services provided. The City's water fund, sewer fund, refuse fund, and stormwater are reported as business-type activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the street fund.

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 the cash basis of accounting. The governmental fund statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various City programs. Since the City is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities - cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities - cash basis.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole. The City uses enterprise funds to account for water operations, sewer operations, refuse, and stormwater operations.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's only fiduciary funds are custodial funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The City's budgetary process accounts for certain transactions on a cash basis. A budgetary schedule for the general fund and street fund are presented to demonstrate the City's compliance with annually adopted budgets.

Government-Wide Financial Analysis

The statement of net position - cash basis serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net cash position at December 31, 2021 and December 31, 2020.

	Net Cash Position					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	2021	2021	2020	2020	2021	2020
<u>Assets:</u>						
Equity in pooled cash and cash equivalents	\$ 4,397,205	\$ 4,045,598	\$ 3,246,386	\$ 2,649,233	\$ 8,442,803	\$ 5,895,619
Restricted:						
Equity in pooled cash and cash equivalents	-	132,575	-	122,042	132,575	122,042
Total assets	<u>4,397,205</u>	<u>4,178,173</u>	<u>3,246,386</u>	<u>2,771,275</u>	<u>8,575,378</u>	<u>6,017,661</u>
<u>Net cash position:</u>						
Restricted	927,340	132,575	791,761	122,042	1,059,915	913,803
Unrestricted	<u>3,469,865</u>	<u>4,045,598</u>	<u>2,454,625</u>	<u>2,649,233</u>	<u>7,515,463</u>	<u>5,103,858</u>
Total net cash position	<u>\$ 4,397,205</u>	<u>\$ 4,178,173</u>	<u>\$ 3,246,386</u>	<u>\$ 2,771,275</u>	<u>\$ 8,575,378</u>	<u>\$ 6,017,661</u>

At December 31, 2021, a portion of the City's net cash position, \$1,059,915, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$7,515,463 may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

The table below shows the changes in net cash position for 2021 and 2020.

	Change in Net Cash Position					
	Governmental Activities 2021	Business-type Activities 2021	Governmental Activities 2020	Business-type Activities 2020	2021 Total	2020 Total
Cash receipts:						
Program cash receipts:						
Charges for services	\$ 697,132	\$ 4,520,856	\$ 660,526	\$ 4,194,022	\$ 5,217,988	\$ 4,854,548
Operating grants and contributions	1,210,265	16,544	1,268,011	-	1,226,809	1,268,011
Capital grants and contributions	-	-	1,754,112	-	-	1,754,112
Total program cash receipts	<u>1,907,397</u>	<u>4,537,400</u>	<u>3,682,649</u>	<u>4,194,022</u>	<u>6,444,797</u>	<u>7,876,671</u>
General cash receipts:						
Property and income taxes	4,116,882	-	3,713,335	-	4,116,882	3,713,335
Unrestricted grants	226,428	-	213,445	-	226,428	213,445
Debt issuances	397,889	1,227,606	516,122	1,432,703	1,625,495	1,948,825
Investment receipts	4,413	-	21,196	-	4,413	21,196
Payment in lieu of taxes	12	-	13	-	12	13
Sale of assets	9,450	416	-	-	9,866	-
Miscellaneous	263,844	94,816	174,215	6,182	358,660	180,397
Total general cash receipts	<u>5,018,918</u>	<u>1,322,838</u>	<u>4,638,326</u>	<u>1,438,885</u>	<u>6,341,756</u>	<u>6,077,211</u>
Total cash receipts	<u>6,926,315</u>	<u>5,860,238</u>	<u>8,320,975</u>	<u>5,632,907</u>	<u>12,786,553</u>	<u>13,953,882</u>
Cash disbursements:						
General government	1,181,915	-	1,148,421	-	1,181,915	1,148,421
Public safety	2,934,382	-	2,835,071	-	2,934,382	2,835,071
Public works	625,346	-	578,048	-	625,346	578,048
Basic utility services	-	-	15,623	-	-	15,623
Health	88,500	-	88,500	-	88,500	88,500
Economic development	6,000	-	6,000	-	6,000	6,000
Leisure time activities	156,921	-	203,972	-	156,921	203,972
Capital outlay	579,036	-	2,290,331	-	579,036	2,290,331
Intergovernmental	107,579	-	104,089	-	107,579	104,089
Debt service	98,317	-	95,988	-	98,317	95,988
Water	-	2,396,322	-	2,683,034	2,396,322	2,683,034
Sewer	-	1,467,196	-	2,126,987	1,467,196	2,126,987
Refuse	-	577,122	-	180,523	577,122	180,523
Stormwater	-	10,200	-	-	10,200	-
Total cash disbursements	<u>5,777,996</u>	<u>4,450,840</u>	<u>7,366,043</u>	<u>4,990,544</u>	<u>10,228,836</u>	<u>12,356,587</u>
Change in net cash position	1,148,319	1,409,398	954,932	642,363	2,557,717	1,597,295
Transfers	(49,500)	49,500	-	-	-	-
Advances	<u>52,000</u>	<u>(52,000)</u>	<u>(52,000)</u>	<u>52,000</u>	<u>-</u>	<u>-</u>
Change in net cash position	1,150,819	1,406,898	902,932	694,363	2,557,717	1,597,295
Net cash position at beginning of year	<u>3,246,386</u>	<u>2,771,275</u>	<u>2,343,454</u>	<u>2,076,912</u>	<u>6,017,661</u>	<u>4,420,366</u>
Net cash position at end of year	<u>\$ 4,397,205</u>	<u>\$ 4,178,173</u>	<u>\$ 3,246,386</u>	<u>\$ 2,771,275</u>	<u>\$ 8,575,378</u>	<u>\$ 6,017,661</u>

**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

Governmental Activities

Governmental activities net cash position increased \$1,150,819 or 35.45% in 2021. Both cash receipts and cash disbursements decreased in 2021, but receipts outpaced disbursements. The decrease in cash receipts is primarily due to a decline in capital grants and contributions due to a decrease in grant revenue from the Ohio Water Development Authority (OWDA) for the Storm Water project. Cash disbursements in 2021 decreased mainly due to a decrease in capital outlay disbursements for the Storm Water project.

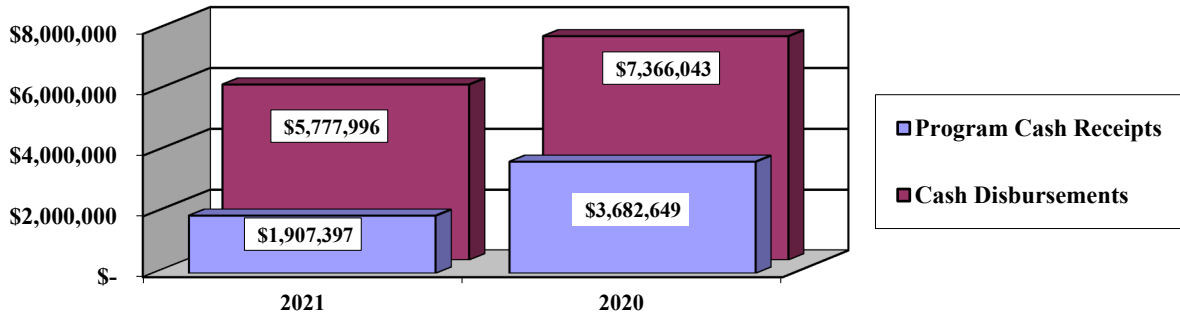
General government represents activities related to the governing body, as well as activities that directly support City programs. In 2021, general government cash disbursements totaled \$1,181,915 or 20.46% of total governmental cash disbursements. General government programs were supported by \$314,552 in direct charges to users for services and \$75,665 in operating grants and contributions.

In 2021, public safety cash disbursements totaled \$2,934,382 or 50.79% of total governmental cash disbursements. Public safety programs were supported by \$302,755 in direct charges to users for services and \$457,478 in operating grants and contributions.

In 2021, public works cash disbursements totaled \$625,346 or 10.82% of total governmental cash disbursements. Public works programs were supported by \$420 in direct charges to users for services and \$639,859 in operating grants and contributions.

The statement of activities - cash basis shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph below, the City is highly dependent upon general cash receipts (primarily property and other local taxes, and property taxes) to support its governmental activities. General cash receipts were sufficient to cover the remaining governmental activities cash disbursements during 2021.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



**CITY OF KENTON
HARDIN COUNTY, OHIO**

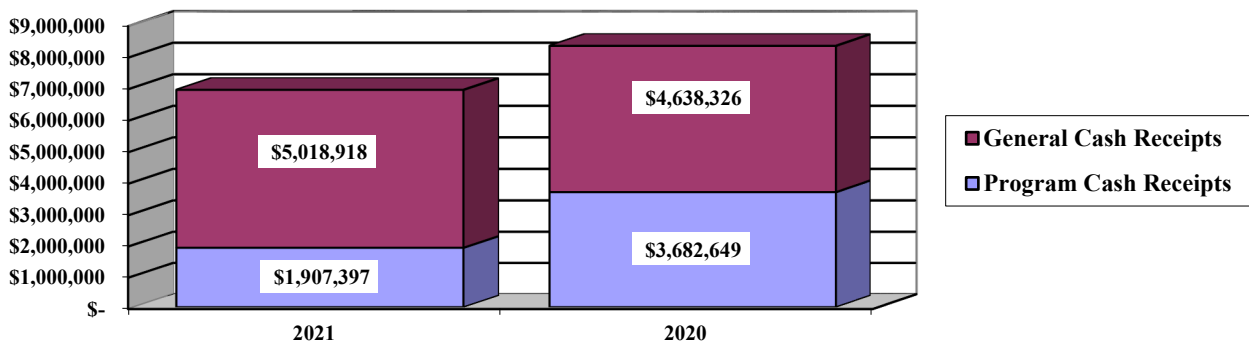
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

The following table shows, for the governmental activities, the total cost of services and the net cost of services for 2021 and 2020. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2021	2021	2020	2020
Cash disbursements:				
General government	\$ 1,181,915	\$ 791,698	\$ 1,148,421	\$ 803,052
Public safety	2,934,382	2,174,149	2,835,071	1,938,985
Public works	625,346	(14,933)	578,048	8,638
Basic utility services	-	-	15,623	-
Health	88,500	88,500	88,500	88,500
Economic development	6,000	(6,795)	6,000	(1,808)
Leisure time activities	156,921	53,048	203,972	109,731
Capital outlay	579,036	579,036	2,290,331	536,219
Intergovernmental	107,579	107,579	104,089	104,089
Debt service	98,317	98,317	95,988	95,988
Total	<u>\$ 5,777,996</u>	<u>\$ 3,870,599</u>	<u>\$ 7,366,043</u>	<u>\$ 3,683,394</u>

The dependence upon general cash receipts for governmental activities is apparent, as only 33.01% of cash disbursements in 2021 were supported by program cash receipts such as charges for services and operating grants and contributions.

Governmental Activities - General and Program Cash Receipts



Business-type Activities

The water fund, the sewer fund, the refuse fund, and the stormwater fund are the City's business-type activities. These programs had cash receipts of \$5,860,238 and cash disbursements of \$4,450,840 during 2021. The net cash position of the business-type activities increased \$1,406,898 from 2020.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

Governmental Funds

The City's governmental funds reported a combined fund cash balance of \$4,397,205, which is \$1,150,819 more than last year's total of \$3,246,386. The table below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2021 and December 31, 2020 for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2021</u>	<u>Fund Cash Balance</u> <u>December 31, 2020</u>	<u>Change</u>
Major funds:			
General	\$ 3,434,694	\$ 2,457,217	\$ 977,477
Street	115,160	271,859	(156,699)
Nonmajor governmental funds	<u>847,351</u>	<u>517,310</u>	<u>330,041</u>
Total	<u>\$ 4,397,205</u>	<u>\$ 3,246,386</u>	<u>\$ 1,150,819</u>

General Fund

The general fund had cash receipts and cash disbursements of \$5,046,606 and \$3,965,376, respectively, in 2021. These amounts exclude other financing sources and uses, which consisted of \$1,110 in sale of assets, \$52,000 in advances in, and \$156,863 in transfers out. The fund cash balance of the general fund increased \$977,477 from 2020 to 2021.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts:</u>				
Taxes	\$ 3,947,661	\$ 3,531,216	\$ 416,445	11.79 %
Charges for services	300,904	258,607	42,297	16.36 %
Licenses and permits	54,582	56,656	(2,074)	(3.66) %
Fines and forfeitures	210,411	209,012	1,399	0.67 %
Intergovernmental	214,919	204,172	10,747	5.26 %
Investment receipts	4,413	21,196	(16,783)	(79.18) %
Miscellaneous	<u>313,716</u>	<u>174,223</u>	<u>139,493</u>	80.07 %
Total	<u>\$ 5,046,606</u>	<u>\$ 4,455,082</u>	<u>\$ 591,524</u>	13.28 %

Overall cash receipts of the general fund increased \$591,524 or 13.28%. Taxes, the main source of revenue for the general fund, increased due to an increase in income tax collections as the economy started to recover from the COVID-19 pandemic. Charges for services increased due to an increase in EMS fees received. Intergovernmental receipts increased due to the City receiving grants from the State of Ohio. Investment receipts decreased due to decreased interest rates on the City's investments. Miscellaneous receipts increased due to increased refunds and reimbursements.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

The table that follows assists in illustrating the cash disbursements of the general fund.

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash disbursements:</u>				
General government	\$ 1,069,921	\$ 1,058,628	\$ 11,293	1.07 %
Public safety	2,710,390	2,170,898	539,492	24.85 %
Health	88,500	88,500	-	- %
Economic development	6,000	6,000	-	- %
Capital outlay	67,310	61,056	6,254	10.24 %
Debt service	<u>23,255</u>	<u>23,254</u>	<u>1</u>	0.00 %
Total	<u>\$ 3,965,376</u>	<u>\$ 3,408,336</u>	<u>\$ 557,040</u>	16.34 %

Total cash disbursements of the general fund increased \$557,040 or 16.34%. Public safety disbursements increased due to increases in Police and Fire wages and benefits. All other cash disbursements were comparable to the prior year or changed an insignificant amount.

Street Fund

The street fund had cash receipts and other financing sources of \$620,973 and cash disbursements and other financing uses of \$777,672 in 2021. The fund cash balance of the street fund decreased from \$271,859 to \$115,160.

Budgeting Highlights - General Fund

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, cash disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During 2021, the original budgetary basis receipts for the general fund of \$4,329,285 were increased to \$4,638,984 in the final budget, mostly to account for an increase in income tax receipts. The actual budgetary basis receipts and other financing sources of \$5,114,550. The original budgetary basis disbursements and other financing uses were \$4,702,129, and the final budgetary basis disbursements and other financing uses were \$5,109,718. The actual budgetary basis disbursements and other financing uses of \$4,288,871 were less than the final budgeted amounts by \$820,847. This variance is a result of the City's conservative budgeting practices to ensure that all potential costs are accounted for in the final budget.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED

Enterprise Funds

The City's enterprise funds reported a combined net cash position of \$4,178,173, which is \$1,406,898 more than last year's total of \$2,771,275.

The table below indicates the net cash position and the total change in net cash position as of December 31, 2021 and December 31, 2020 for all enterprise funds.

	<u>Net Cash Position</u> <u>December 31, 2021</u>	<u>Net Cash Position</u> <u>December 31, 2020</u>	<u>Change</u>
Major funds:			
Water	\$ 1,687,177	\$ 1,483,145	\$ 204,032
Sewer	2,249,390	1,189,110	1,060,280
Refuse	77,717	99,020	(21,303)
Nonmajor funds:			
Stormwater	<u>163,889</u>	<u>-</u>	<u>163,889</u>
Total	<u>\$ 4,178,173</u>	<u>\$ 2,771,275</u>	<u>\$ 1,406,898</u>

Water Fund

The water fund had operating cash receipts of \$1,733,808, operating cash disbursements of \$1,945,295, nonoperating cash receipts of \$866,546 and nonoperating disbursements of \$451,027 during 2021. The water fund's net cash position increased \$204,032 during 2021, mainly due to OWDA loan issuance for ongoing water projects.

Sewer Fund

The sewer fund had operating cash receipts of \$2,149,456, operating disbursements of \$1,163,924, nonoperating cash receipts of \$378,020, and nonoperating cash disbursements of \$303,272 during 2021. The sewer fund's net cash position increased \$1,060,280 during 2021, mainly due to increased sewer fees and OWDA loan issuance.

Refuse Fund

The refuse fund had operating cash receipts of \$607,819, operating cash disbursements of \$577,122, and advances out of \$52,000 during 2021. The refuse fund's net cash position decreased \$21,303 during 2021, mainly due to an increase in the cost of refuse services.

Capital Assets and Debt Administration

Capital Assets

The City does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. In 2021 the City had capital outlay cash disbursements of \$579,036 and \$610,469 for the governmental activities and business-type activities, respectively.

Debt Administration

The City does not record long-term debt obligations in the accompanying cash basis basic financial statements, but records payments for principal and interest as cash disbursements and proceeds from debt issuances as cash receipts.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021
UNAUDITED**

At year-end the City had \$4,549,629 in long-term debt outstanding – an increase of 58.9% from 2020. Governmental activities accounted for \$1,055,369 and business-type activities accounted for \$3,494,260.

	Long-term debt					
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities	Total	Total
	2021	2021	2020	2020	2021	2020
<u>Net cash position:</u>						
Sewer loan	\$ -	\$ 8,250	\$ -	\$ 8,885	\$ 8,250	\$ 8,885
Bond obligations	184,387	247,313	156,942	272,043	431,700	428,985
Lease-purchase	19,096	444,827	59,625	-	463,923	59,625
OPWC loans	213,614	77,296	226,945	88,899	290,910	315,844
OWDA loans	<u>638,272</u>	<u>2,716,574</u>	<u>303,207</u>	<u>1,689,863</u>	<u>3,354,846</u>	<u>1,993,070</u>
Total net cash position	<u>\$ 1,055,369</u>	<u>\$ 3,494,260</u>	<u>\$ 746,719</u>	<u>\$ 2,059,690</u>	<u>\$ 4,549,629</u>	<u>\$ 2,806,409</u>

See Notes 5 and 6 to the basic financial statements for more detail on the City's long-term debt obligations outstanding.

Current Financial Related Activities

The City of Kenton faces the same challenge as all governments do, providing the same quality of service as past years with minimal increased in revenue and expenses continuing to increase. When comparing revenues (excluding transfers, advances, sale of assets, and debt proceeds) in 2021 and 2020 for the general fund, revenues increased by \$591,524. Expenses in 2021 increased by \$557,040 from 2020 in the general fund. With an increase in general fund revenue and an increase in general fund expenses we need to continue to be conservative in our spending and find ways to reduce our costs.

Contacting the City's Financial Management

This financial report is designed to provide the citizens, taxpayers, investors, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Brian Hattery, City Auditor, 111 W. Franklin Street, Kenton, Ohio 43326 or telephone at (419) 673-1310.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 4,397,205	\$ 4,045,598	\$ 8,442,803
Restricted assets:			
Equity in pooled cash and cash equivalents	-	132,575	132,575
Total assets	<u>4,397,205</u>	<u>4,178,173</u>	<u>8,575,378</u>
Net cash position:			
Restricted for:			
Revolving loans	1,937	-	1,937
Pension obligations	58,776	-	58,776
Customer water deposits	-	132,575	132,575
Other purposes	866,627	-	866,627
Unrestricted	<u>3,469,865</u>	<u>4,045,598</u>	<u>7,515,463</u>
Total net cash position	<u>\$ 4,397,205</u>	<u>\$ 4,178,173</u>	<u>\$ 8,575,378</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Cash Disbursements	Program Cash Receipts	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,181,915	\$ 314,552	\$ 75,665
Public safety	2,934,382	302,755	457,478
Public works	625,346	420	639,859
Health	88,500	-	-
Economic development	6,000	-	12,795
Leisure time activities	156,921	79,405	24,468
Capital outlay	579,036	-	-
Intergovernmental	107,579	-	-
Debt service:			
Principal retirement	89,239	-	-
Interest and fiscal charges	9,078	-	-
Total governmental activities	5,777,996	697,132	1,210,265
Business-type activities:			
Water	2,396,322	1,700,241	5,005
Sewer	1,467,196	2,098,207	11,539
Refuse	577,122	597,819	-
Stormwater	10,200	124,589	-
Total business-type activities	4,450,840	4,520,856	16,544
Total primary government	\$ 10,228,836	\$ 5,217,988	\$ 1,226,809

General receipts:

Income taxes levied for:
 General purposes
Property taxes levied for:
 General purposes
 Police pension
 Fire pension
 Grove cemetery
Payments in lieu of taxes
Grants and entitlements not restricted
 to specific programs
Investment earnings
Sale of assets
Debt issuances
Miscellaneous
Total general receipts

Transfers and advances:

Transfers
Advances
Total general receipts, transfers, and advances
Change in net position

Net cash position at beginning of year

Net cash position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Cash Disbursements) Cash Receipts
and Changes in Net Cash Position**

Governmental Activities	Business-type Activities	Total
\$ (791,698)	\$ -	\$ (791,698)
(2,174,149)	-	(2,174,149)
14,933	-	14,933
(88,500)	-	(88,500)
6,795	-	6,795
(53,048)	-	(53,048)
(579,036)	-	(579,036)
(107,579)	-	(107,579)
(89,239)	-	(89,239)
(9,078)	-	(9,078)
<u>(3,870,599)</u>	<u>-</u>	<u>(3,870,599)</u>
-	(691,076)	(691,076)
-	642,550	642,550
-	20,697	20,697
-	114,389	114,389
-	86,560	86,560
<u>(3,870,599)</u>	<u>86,560</u>	<u>(3,784,039)</u>
3,629,855	-	3,629,855
317,806	-	317,806
32,670	-	32,670
32,670	-	32,670
103,881	-	103,881
12	-	12
226,428	-	226,428
4,413	-	4,413
9,450	416	9,866
397,889	1,227,606	1,625,495
263,844	94,816	358,660
<u>5,018,918</u>	<u>1,322,838</u>	<u>6,341,756</u>
(49,500)	49,500	-
52,000	(52,000)	-
<u>5,021,418</u>	<u>1,320,338</u>	<u>6,341,756</u>
1,150,819	1,406,898	2,557,717
3,246,386	2,771,275	6,017,661
<u>\$ 4,397,205</u>	<u>\$ 4,178,173</u>	<u>\$ 8,575,378</u>

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,434,694	\$ 115,160	\$ 847,351	\$ 4,397,205
Fund cash balances:				
Nonspendable	\$ 24,118	\$ -	\$ -	\$ 24,118
Restricted	-	115,160	812,180	927,340
Committed	-	-	35,171	35,171
Assigned	165,705	-	-	165,705
Unassigned	3,244,871	-	-	3,244,871
Total fund cash balances	<u>\$ 3,434,694</u>	<u>\$ 115,160</u>	<u>\$ 847,351</u>	<u>\$ 4,397,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
Income taxes	\$ 3,629,855	\$ -	\$ -	\$ 3,629,855
Property and other local taxes	317,806	-	169,221	487,027
Charges for services	300,904	-	79,405	380,309
Licenses and permits	54,582	420	-	55,002
Fines and forfeitures	210,411	-	51,410	261,821
Intergovernmental	214,919	566,004	558,671	1,339,594
Investment income	4,413	278	386	5,077
Contributions and donations	49,865	-	4,009	53,874
Payments in lieu of taxes	7	-	5	12
Other	263,844	156	42,405	306,405
Total cash receipts	<u>5,046,606</u>	<u>566,858</u>	<u>905,512</u>	<u>6,518,976</u>
Cash disbursements:				
General government:				
Legislative & executive	670,070	-	49,150	719,220
Judicial	399,851	-	62,844	462,695
Public safety	2,710,390	-	223,992	2,934,382
Public works	-	586,704	38,642	625,346
Health	88,500	-	-	88,500
Economic development	6,000	-	-	6,000
Leisure time activity	-	-	156,921	156,921
Capital outlay	67,310	148,269	363,457	579,036
Intergovernmental	-	-	107,579	107,579
Debt service:				
Principal retirement	21,434	-	67,805	89,239
Interest and fiscal charges	1,821	-	7,257	9,078
Total cash disbursements	<u>3,965,376</u>	<u>734,973</u>	<u>1,077,647</u>	<u>5,777,996</u>
Excess (deficiency) of cash receipts over (under) cash disbursement	<u>1,081,230</u>	<u>(168,115)</u>	<u>(172,135)</u>	<u>740,980</u>
Other financing sources (uses):				
Bond issuance	-	54,115	-	54,115
Sale of assets	1,110	-	8,340	9,450
Advances in	52,000	-	-	52,000
Transfers in	-	-	150,062	150,062
Transfers out	(156,863)	(42,699)	-	(199,562)
OWDA loan issuance	-	-	343,774	343,774
Total other financing sources (uses)	<u>(103,753)</u>	<u>11,416</u>	<u>502,176</u>	<u>409,839</u>
Net change in fund cash balances	977,477	(156,699)	330,041	1,150,819
Fund cash balances at beginning of year	<u>2,457,217</u>	<u>271,859</u>	<u>517,310</u>	<u>3,246,386</u>
Fund cash balances at end of year	<u>\$ 3,434,694</u>	<u>\$ 115,160</u>	<u>\$ 847,351</u>	<u>\$ 4,397,205</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Refuse	Other Enterprise Funds	Total
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,554,602	\$ 2,249,390	\$ 77,717	\$ 163,889	\$ 4,045,598
Restricted assets:					
Equity in pooled cash and cash equivalents	132,575	-	-	-	132,575
Total assets	1,687,177	2,249,390	77,717	163,889	4,178,173
Net cash position:					
Restricted for customer water deposits	132,575	-	-	-	132,575
Unrestricted	1,554,602	2,249,390	77,717	163,889	4,045,598
Total net cash position	\$ 1,687,177	\$ 2,249,390	\$ 77,717	\$ 163,889	\$ 4,178,173

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN NET POSITION - CASH BASIS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Business-type Activities - Enterprise Funds				Total
	Water	Sewer	Refuse	Other Enterprise Funds	
Operating cash receipts:					
Charges for services	\$ 1,700,241	\$ 2,098,207	\$ 597,819	\$ 124,589	\$ 4,520,856
Other	33,567	51,249	10,000	-	94,816
Total operating cash receipts	1,733,808	2,149,456	607,819	124,589	4,615,672
Operating cash disbursements:					
Personal services	769,339	580,747	-	-	1,350,086
Contract services	305,050	393,638	576,969	10,200	1,285,857
Materials and supplies	848,134	189,253	-	-	1,037,387
Utility deposits returned	4,409	-	-	-	4,409
Other	18,363	286	153	-	18,802
Total operating cash disbursements	1,945,295	1,163,924	577,122	10,200	3,696,541
Operating income (loss)	(211,487)	985,532	30,697	114,389	919,131
Nonoperating cash receipts (disbursements):					
Principal retirement	(98,371)	(22,717)	-	-	(121,088)
Interest and fiscal charges	(16,383)	(6,359)	-	-	(22,742)
Sale of assets	-	416	-	-	416
Intergovernmental	5,005	11,539	-	-	16,544
Capital outlay	(336,273)	(274,196)	-	-	(610,469)
OWDA loan issuance	861,541	366,065	-	-	1,227,606
Total nonoperating cash receipts (disbursements)	415,519	74,748	-	-	490,267
Income (loss) before transfers and advances	204,032	1,060,280	30,697	114,389	1,409,398
Transfers in	-	-	-	49,500	49,500
Advances (out)	-	-	(52,000)	-	(52,000)
Change in net cash position	204,032	1,060,280	(21,303)	163,889	1,406,898
Net cash position at beginning of year	1,483,145	1,189,110	99,020	-	2,771,275
Net cash position at end of year	\$ 1,687,177	\$ 2,249,390	\$ 77,717	\$ 163,889	\$ 4,178,173

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
CUSTODIAL FUND
DECEMBER 31, 2021

	<u>Municipal Court</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 88,844</u>
Net cash position:	
Restricted for individuals, organizations and other governments	<u><u>\$ 88,844</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF KENTON
HARDIN COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
CUSTODIAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Municipal Court
Additions:	
Fines and forfeitures for distribution	\$ 725,469
Deductions:	
Fines and forfeitures distributed to others	701,595
Net change in fiduciary net cash position	23,874
Net cash position beginning of year	64,970
Net cash position end of year	\$ 88,844

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 – REPORTING ENTITY

The City of Kenton (the City) is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under the council-mayor form of government. The Mayor is the chief executive and administrative officer and is elected for a four year term. He is responsible for carrying out the policies and ordinances of council, for overseeing the day-to-day operations of the City and for appointing the Safety/Service Director, Income Tax Administrator and various boards and commissions. The legislative authority is vested in a seven-member Council with a presiding President of Council, who are elected to two-year terms. In addition to establishing City policies, Council is responsible for passing ordinances and adopting the budget. Other elected officials consist of the auditor and the law director, who are elected to four-year terms, and the treasurer who is elected to a four-year term.

The reporting entity is composed of the primary government and other organizations that are included to ensure the financial statements of the City are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City provides the following services to its citizens: police and fire protection, parks and recreation, street maintenance and repairs, refuse service, water and sewer utilities and a staff to provide essential support to these services.

B. Jointly Governed Organizations and Ohio Plan Risk Management

The City participates in three jointly governed organizations and the Ohio Plan Risk Management, an insurance pool. These organizations are the Grove Cemetery Association, the Hardin County Regional Planning Commission, and BKP Ambulance District. These organizations are presented in Notes 11 and 17 to the financial statements.

The City's management believes these financial statements present all activities for which the City is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C., these basic financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis basic financial statements contain items that are the same as, or similar to, those items in the basic financial statements prepared in conformity with GAAP, similar informative disclosures are provided. The following are the more significant of the City's accounting policies:

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial statements, including a statement of net position - cash basis and a statement of activities - cash basis, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position - cash basis and the statement of activities - cash basis display information about the City as a whole, except for fiduciary funds.

These statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of net position - cash basis presents the cash balances of the governmental and business-type activities of the City at year end. The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the City. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the City.

Fund Financial Statements - Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds. 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 financial statements for governmental funds are a statement of assets and fund cash balances - cash basis, and a statement of cash receipts, cash disbursements and changes in fund cash balances - cash basis, which reports on the sources (i.e., receipts and other financing sources) and uses (i.e., disbursements and other financing uses) of the current financial resources.

The financial statements of proprietary funds are a statement of net position - cash basis, and a statement of cash receipts, cash disbursements and changes in net position - cash basis, which presents increases (i.e., receipts) and decreases (i.e., disbursements) in net position.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the City's proprietary funds are charges for sales and personnel disbursements related to water and sewer funds. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts. The City classifies each fund as either governmental, proprietary or fiduciary.

Governmental Funds - The City classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the City's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Street Fund - The street fund is required by Ohio Revised Code to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the City are used to account for (a) specific receipt sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects, (b) financial resources that are restricted to disbursement for principal and interest, and (c) financial resources that are restricted to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets

Proprietary Funds - These funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. The City has no internal service funds, but does report the operations of various enterprise funds.

Enterprise funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the City.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the City.

Refuse Fund - The garbage and refuse fund (refuse fund) was created in 2020 and it accounts for collection of fees and the related costs from the City providing trash pickup services through contracted services.

The nonmajor enterprise fund of the City is used to account for stormwater operations.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The City's fiduciary fund is a custodial fund. Custodial funds are purely custodial in nature and are used to account for assets held by the City for individuals and other governments and organizations—the activity of the Municipal Court. This fund is not included in the City's government-wide financial statements.

C. Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The City's basic financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the City's financial records and reported in the basic financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when incurred. Any such modifications made by the City are described in the appropriate section of the notes to the basic financial statements.

As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, and the effects of these items on receipts and disbursements are not recorded in these basic financial statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgetary Process

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the fund, department, and object level for all funds. Any budgetary modifications at this level may only be made by ordinance of the City Council.

The certificate of estimated resources may be amended during the year if the City Auditor projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary schedule reflect the amounts in the certificate of estimated resources when the City Council adopted the original appropriations. The amounts reported as the final budget in the budgetary schedule reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations ordinance was passed by City Council.

The City Council may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriations ordinance for a fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriations ordinance the City Council passed during the year.

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. Investment receipts are allocated as authorized by State statute.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the basic financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for investments in STAR Ohio, the City measures its investments at fair value which is based upon quoted market prices.

During 2021, the City invested in STAR 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, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For 2021, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by provisions of the Ohio Revised Code. Investment receipts credited to the general fund in 2021 amounted to \$4,413 which includes \$2,385 assigned from other funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent utility deposits from customers that are classified as restricted because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

G. Capital Assets

Acquisitions of property, plant and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying basic financial statements.

H. Unpaid Vacation Leave and Sick Leave

Employees are entitled to cash payments for unused vacation leave and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave and sick leave are not reflected as liabilities under the basis of accounting utilized by the City (See Note 2.C.).

I. Long-term Obligations

Bonds and other long-term obligations are not recognized as liabilities in the basic financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received and debt service disbursements for principal and interest when cash is paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

J. Net Cash Position

Net cash position consists of cash receipts and balances reduced by cash disbursements for the current year. 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 City has restricted net position for pension obligations, revolving loan balances and customer water deposits. Restricted for other purposes is comprised of net position restricted for grants or other externally restricted receipts. The City did not have any net position restricted by enabling legislation. The City's policy is to first apply restricted resources when a disbursement is incurred for purposes which both restricted and unrestricted net position is available.

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements.

L. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Inventories of Materials and Supplies and Prepaid Items

The City reports disbursements for inventories of materials and supplies and prepaid items when paid. These items are not reflected as assets in the accompanying basic financial statements.

N. Interfund Receivables/Payables

The City reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying basic financial statements.

O. Fund Cash Balance

Fund cash balance is divided into five classifications 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 classifications are as follows:

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact.

Restricted - Fund cash balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed 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 that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council (the highest level of decision-making authority). Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund cash balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Assigned - Amounts in the assigned fund cash balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when disbursements occur for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements occur for purposes for which amounts in any of the unrestricted fund cash balance classifications could be used.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City did not report any extraordinary or special items during 2021.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Health Care

The City continues to carry health and life insurance through a private carrier. The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City's employee health care benefits program, provided that the employees pay the rate established by the plan administrator.

S. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as revenues when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets in proprietary funds are recorded as revenue when the grant is received.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2021, the City has implemented GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period."

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Since the City does not prepare financial statements using generally accepted accounting principles, the implementation of GASB Statement No. 89 did not have an effect on the financial statements of the City.

For 2021, the City has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 91, 92 and 93, which were originally due to be implemented in 2021 and to GASB Statement No. 87, which was originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncements are postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its basic financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that the City has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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;
3. 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 the term of the agreement must not exceed thirty days.
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time; and if training requirements have been met,
8. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Except and noted above, investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2021, the carrying amount of all City deposits was \$3,741,956. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2021, \$1,299,158 of the City’s bank balance of \$4,024,724 was covered by the Ohio Pooled Collateral System as discussed below, while \$2,725,566 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City’s and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (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. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2021, the City had the following investment and maturity:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturity 6 months or less</u>
<i>Amortized cost:</i> STAR Ohio	<u>\$ 4,922,266</u>	<u>\$ 4,922,266</u>

The weighted average maturity of investments is one day.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, 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 has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2021:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Amortized cost:</i>		
STAR Ohio	\$ 4,922,266	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position - Cash Basis

The following is a reconciliation of cash and investments as reported in the preceding note to cash and investments as reported on the statement of net position - cash basis as of December 31, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,741,956
Investments	<u>4,922,266</u>
Total	<u>\$ 8,664,222</u>
 <u>Cash and investments per statement of net position - cash basis</u>	
Governmental activities	\$ 4,397,205
Business-type activities	4,178,173
Custodial funds	<u>88,844</u>
Total	<u>\$ 8,664,222</u>

NOTE 5 – LEASE-PURCHASE

The City has entered into multiple lease agreements for various equipment and vehicles. Total principal and interest payments in 2021 totaled \$40,529 and \$3,062, respectively, in the governmental activities. Future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2022	\$ 203,805
2023	184,089
2024	<u>92,045</u>
Total minimum lease payments	479,939
Less: amount representing interest	<u>(16,016)</u>
Present value of future minimum lease payments	<u>\$ 463,923</u>

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - DEBT OBLIGATIONS

The City's debt obligations activity for the year ended December 31, 2021 was as follows:

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21	Amounts Due in One Year
<u>Governmental activities:</u>					
<i>General Obligation Bonds:</i>					
2016 Building Acquisition	\$ 136,057	\$ -	\$ (12,370)	\$ 123,687	\$ 12,370
<i>OPWC Loans (direct borrowings):</i>					
2020 Letson Ave Storm Sewer	188,830	-	(6,401)	182,429	6,401
2006 Street Improvements	38,115	-	(6,930)	31,185	6,930
Total OPWC Loans (direct borrowings)	<u>226,945</u>	<u>-</u>	<u>(13,331)</u>	<u>213,614</u>	<u>13,331</u>
<i>OWDA Loans (direct borrowings):</i>					
2019 Downtown Sewer System Ph. 1	303,207	-	(8,709)	294,498	9,142
2020 Downtown Sewer System Phase 2	-	343,774	-	343,774	-
Total OWDA Loans (direct borrowings)	<u>303,207</u>	<u>343,774</u>	<u>(8,709)</u>	<u>638,272</u>	<u>9,142</u>
<i>U.S. Department of Agriculture Bond:</i>					
2020 Municipal Equipment GO Bond	20,885	54,115	(14,300)	60,700	14,700
<i>Lease purchase:</i>					
2019 Police Cruisers	21,434	-	(21,434)	-	-
2018 Street Equipment	38,191	-	(19,095)	19,096	19,096
Total Lease purchase	<u>59,625</u>	<u>-</u>	<u>(40,529)</u>	<u>19,096</u>	<u>19,096</u>
Total governmental activities	<u>\$ 746,719</u>	<u>\$ 397,889</u>	<u>\$ (89,239)</u>	<u>\$ 1,055,369</u>	<u>\$ 68,639</u>

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**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - DEBT OBLIGATIONS - (Continued)

	Balance 12/31/20	Additions	Reductions	Balance 12/31/21	Due in One Year
<u>Business-type activities:</u>					
<i>General Obligation Bonds:</i>					
2016 Building Acquisition - Water	\$ 136,021	\$ -	\$ (12,365)	\$ 123,656	\$ 12,365
2016 Building Acquisition - Sewer	136,022	-	(12,365)	123,657	12,365
Total General Obligation Bonds	<u>272,043</u>	<u>-</u>	<u>(24,730)</u>	<u>247,313</u>	<u>24,730</u>
<i>OPWC Loans (direct borrowings):</i>					
2003 Water Treatment - Water	11,782	-	(5,891)	5,891	5,891
2014 Sanitary Sewer - Sewer	77,117	-	(5,712)	71,405	5,712
Total OPWC Loans (direct borrowings)	<u>88,899</u>	<u>-</u>	<u>(11,603)</u>	<u>77,296</u>	<u>11,603</u>
<i>OWDA Loans (direct borrowings):</i>					
2017 Downtown Infrastructure - Water	20,196	508	(1,103)	19,601	19,601
2017 Downtown Infrastructure - Sewer	20,195	507	(1,102)	19,600	19,600
2018 Asset Management Plan - Water	46,139	-	(13,182)	32,957	13,183
2019 Downtown Revitalization Plan Ph. 1	798,585	-	(24,046)	774,539	24,212
2019 Downtown Sewer System Ph. 1	84,737	-	(2,903)	81,834	2,555
2020 Water Trunk Replacement	430,173	-	(41,784)	388,389	42,568
2020 Downtown Revitalization Plan Ph. 2	56,188	341,304	-	397,492	-
2020 Downtown Sewer System Ph. 2	233,650	271,533	-	505,183	-
2021 WTP Transfer Channel Improvement	-	496,979	-	496,979	-
Total OWDA Loans (direct borrowings)	<u>1,689,863</u>	<u>1,110,831</u>	<u>(84,120)</u>	<u>2,716,574</u>	<u>121,719</u>
<i>Lease purchase:</i>					
GapVax Truck	-	444,827	-	444,827	86,951
<i>Loans:</i>					
2014 County Sanitary Sewer Loan	8,885	-	(635)	8,250	635
Total Business-type activities	<u>\$ 2,059,690</u>	<u>\$ 1,555,658</u>	<u>\$ (121,088)</u>	<u>\$ 3,494,260</u>	<u>\$ 245,638</u>

Note: The OWDA loan proceeds of the business-type activities are less than the amounts reported on the financial statements due to disbursements made in December 2020 included in the loan balance at December 31, 2020 and not received by the City until January 2021.

Outstanding general obligation bonds and loans consist of street improvements, purchase of 555 W Franklin Street building, street equipment, water and sewer system improvements issues and police cars. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

2006 Street Improvement Loan (OPWC)

The City obtained a zero percent interest 20 year loan from the OPWC for the Storm Water Collection System Improvement Project during 2006. This loan is in the amount of \$138,600 and will mature in 2026. Loan payments will come from the governmental debt retirement fund.

2003 Water Treatment Loan (OPWC)

During 2003, the City obtained a zero percent interest 20 year loan in the amount of \$117,821 from the OPWC for the water treatment plant and water system improvements project. This loan will mature in 2023 and will be retired utilizing utility charges.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - DEBT OBLIGATIONS - (Continued)

2014 Sanitary Sewer Collection (OPWC)

During 2014, the City obtained a zero percent interest 20 year loan in the amount of \$114,249 from OPWC for the sanitary sewer collection system improvements project. The loan will mature in 2034 and will be paid for by the homeowners on their property tax bills.

2020 Letson Avenue Storm Sewer (OPWC)

During 2020, the City obtained a zero percent interest 30 year loan in the amount of \$192,030 from OPWC for the Letson Avenue storm sewer collection system improvements project. The loan will mature in 2050 and will be paid from the debt service fund.

OPWC loans are direct borrowings that have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

2020 United States Department of Agriculture (USDA) Bond

During 2020 the City applied for an equipment loan with the USDA for \$75,000 and 2.125% interest. The City took a draw of \$54,115 on the loan during 2021.

2014 Sanitary Sewer Collection (Hardin County)

During 2014, Hardin County contributed \$12,694 for the sanitary sewer collection system improvements project. This loan will mature in 2034 and will be paid for by the homeowners on their property tax bills.

2016 Building Acquisition Bonds

During 2016, the City issued \$556,500 for Building Acquisition Bonds on September 28, 2016 at 2.25 % interest. These bonds will be repaid from the bond retirement fund, waterworks fund, and sewer fund. The loan will mature in 2031.

2018 Street Equipment Loan

During 2018 the City financed a DuraPatcher and roller with a 3.25% interest loan for \$95,476. The loan has a fixed principal amount of \$19,095 due each year until 2022. See Note 5 for more detail.

2019 Two Dodge Chargers

During 2019 the City entered into a lease-purchase agreement to acquire two Dodge Charger Cruisers for \$64,442. The final payment was made during the year from the general fund for \$23,255. See Note 5 for more detail.

2017 OWDA Downtown Infrastructure Loan

During 2017, the City entered into loan for the planning of improvements to the downtown water and sewer infrastructure. Through 2021, the City borrowed \$49,124 (includes capitalized interest) on this loan and \$2,205 was repaid in 2021. The remaining balance is schedule to be repaid by \$2,205 due in each year with a balloon payment due in 2022. In the event of the project moving forward, the loan will be combined with a construction loan.

2018 OWDA Asset Management Plan Loan

During 2018 the City entered into a loan for asset management planning of the water facility and related infrastructure. This planning project is a result of new requirements from the Ohio EPA to assess the condition of certain assets and for planning of future maintenance of the water system.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - DEBT OBLIGATIONS - (Continued)

2019 OWDA Downtown Revitalization Plan Phase 1 Loan

During 2019, the City entered into a loan that is approved for up to \$856,936. The loan will be used for improvement to the City water system in the downtown area. Only \$798,585 has been drawn on the loan so far, which includes capitalized interest.

2019 OWDA Downtown Sewer System Loan

During 2019, the City entered into a loan that is approved for \$2,380,004 with \$1,722,000 to be forgiven. In 2020, the City drew down \$303,207 into the stormwater capital projects funds and \$84,737 into the sewer fund from this loan.

2020 OWDA Water Trunk Replacement Loan

During 2020 the City borrowed \$450,775 at a rate of 1.87% for ten years to be used to fund a construction project for a water trunk replacement.

2020 OWDA Downtown Revitalization Plan and Sewer System Improvement Loans

During 2020 the City entered into two new loans for a downtown construction project. The project involves improvements to the City's sewer system as well as other downtown infrastructure assets. The loans are interest free. As of December 31, 2021, the City has drawn \$343,774 in the storm water capital projects fund, \$397,492 in the water fund, and \$505,183 in the sewer fund. A repayment schedule has not been established at this time.

2021 OWDA WTP Transfer Channel Improvements Loan

During 2021, the City entered into a loan that is approved for up to \$604,910. The loan will be used for improvements to the City's water transfer channel. Only \$496,979 has been drawn on the loan so far, which includes capitalized interest. A repayment schedule has not been established at this time.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

2021 GapVax Truck

On August 27, 2021, the City entered into a lease-purchase agreement with Huntington Public Capital Corporation to finance the purchase of a GapVax truck for the City's water and sewer departments. The lease was issued in the amount of \$444,827 and carries an interest rate of 2.29%. The lease-purchase payments will commence on February 15, 2022 with a payment amount of \$92,844.55. The lease-purchase has a maturity date of February 15, 2024.

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**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2021 are listed in the table below:

Year Ending December 31,	Governmental Activities						
	General Obligation Bonds		USDA Bonds		<i>Direct Placement</i>		<i>Direct</i>
					OWDA Loans		<i>Borrowings</i>
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2022	\$ 12,370	\$ 2,784	\$ 14,700	\$ 1,192	\$ 9,142	\$ 2,131	\$ 13,331
2023	12,370	2,507	15,000	898	9,208	2,063	13,331
2024	12,370	2,234	15,300	578	9,276	1,996	13,331
2025	12,370	1,949	15,700	251	9,344	1,929	13,331
2026	12,370	1,670	-	-	9,412	1,860	9,866
2027 - 2031	61,837	4,176	-	-	48,103	8,258	32,005
2032 - 2036	-	-	-	-	49,890	6,472	32,005
2037 - 2041	-	-	-	-	51,741	4,622	32,005
2042 - 2046	-	-	-	-	53,659	2,702	32,005
2047 - 2050	-	-	-	-	44,723	732	22,404
Totals	\$ 123,687	\$ 15,320	\$ 60,700	\$ 2,919	\$ 294,498	\$ 32,765	\$ 213,614

Year Ending December 31,	Business-type Activities					
	General Obligation Bonds		County Loan	<i>Direct Placement</i>		<i>Direct</i>
				OWDA Loans		<i>Borrowings</i>
	Principal	Interest	Principal	Principal	Interest	Principal
2022	\$ 24,730	\$ 5,564	\$ 635	\$ 121,719	\$ 12,963	\$ 11,603
2023	24,730	5,008	635	83,505	11,979	5,712
2024	24,730	4,464	635	77,914	10,976	5,712
2025	24,730	3,896	635	72,342	9,957	5,712
2026	24,730	3,338	635	73,378	8,922	5,712
2027 - 2031	123,663	8,352	3,173	307,889	29,161	28,562
2032 - 2036	-	-	1,902	145,442	17,891	14,283
2037 - 2041	-	-	-	150,589	12,762	-
2042 - 2046	-	-	-	155,858	7,456	-
2047 - 2050	-	-	-	128,284	2,017	-
Totals	\$ 247,313	\$ 30,622	\$ 8,250	\$ 1,316,920	\$ 124,084	\$ 77,296

The 2020 Downtown Revitalization Plan Phase 2, the 2020 Downtowns Sewer System Phase 2, and the 2021 WTP Transfer Channel Improvements loans are not finalized for 2021.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. 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 second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2021 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Kenton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes, and other outstanding delinquencies which are measurable as of December 31, 2021 and for which there is an enforceable legal claim. For 2021, the City's basic financial statements are presented on the cash basis of accounting and therefore the City does not record a receivable for property taxes either on a modified accrual or full accrual basis of accounting.

The full tax rate for all City operations for the year ended December 31, 2021 was \$4.2 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2021 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 61,410,600
Commercial/industrial/mineral	37,051,120
Public utility personal property	<u>7,035,180</u>
Total assessed value	<u><u>\$ 105,496,900</u></u>

The residents of the City support Grove Cemetery Association (the Cemetery), a jointly governed organization described further in Note 17, through a tax levy. The levy for the Cemetery is a voted millage. During 2021, the Cemetery received \$107,579 in tax revenue and related homestead and rollback revenue, from the residents of the City. This money is reported as property tax receipts and intergovernmental receipts, respectively, and the subsequent disbursement is recorded within intergovernmental disbursements on the financial statements.

NOTE 8 - LOCAL INCOME TAX

The City levies an income tax of 1.5% on the gross salaries, wages and other personnel service compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. The receipts of the City income tax and the administrative costs associated with their collections are accounted for in the general fund.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability and Net OPEB Liability/Asset

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

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

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

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

The net pension liability and net OPEB liability/asset are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

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

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2021 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan was \$247,910 for 2021.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F 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, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.00% of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.00% or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost-of-living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - 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>
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$335,733 for 2021.

Net Pension Liabilities

The net pension liability for OPERS was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. 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:

	<u>OPERS - Traditional</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01090300%	0.05964900%	
Proportion of the net pension liability/asset current measurement date	<u>0.01028800%</u>	<u>0.06157090%</u>	
Change in proportionate share	<u>-0.00061500%</u>	<u>0.00192190%</u>	
Proportionate share of the net pension liability	\$ 1,523,429	\$ 4,197,344	\$ 5,720,773

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (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 (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 0.50%, simple through 2021, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

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

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

During 2020, 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 11.70% for 2020.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - 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 long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	25.00 %	1.32 %
Domestic equities	21.00	5.64
Real estate	10.00	5.39
Private equity	12.00	10.42
International equities	23.00	7.36
Other investments	9.00	4.75
Total	<u>100.00 %</u>	<u>5.43 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 2,905,948	\$ 1,523,429	\$ 373,866

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Changes between Measurement Date and Report Date

During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2021, are presented below.

Valuation date	1/1/20 with actuarial liabilities rolled forward to 12/31/20
Actuarial cost method	Entry age normal (level percent of payroll)
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of
	inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	2.20% per year simple

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

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

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

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

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2020 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from 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%. 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 KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - 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%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 5,843,240	\$ 4,197,344	\$ 2,819,895

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/asset

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

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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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' Annual Comprehensive Financial Report referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <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 allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2021, OPERS did not allocate any employer contributions to post-employment health care.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

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

OP&F maintains funds for health care in two separate accounts: 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. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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 \$8,835 for 2021.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities/assets

The net OPEB liability/asset and total OPEB liability/asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.01119600%	0.05964900%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.01118000%</u>	<u>0.06157090%</u>	
Change in proportionate share	<u>-0.00001600%</u>	<u>0.00192190%</u>	
Proportionate share of the net OPEB liability	\$ -	\$ 652,354	\$ 652,354
Proportionate share of the net OPEB asset	199,181	-	199,181

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 health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	6.00%
Prior Measurement date	3.16%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.00%
Prior Measurement date	2.75%
Health Care Cost Trend Rate	
Current measurement date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement date	10.50%, initial 3.50%, ultimate in 2030
Actuarial Cost Method	Individual Entry Age Normal

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

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

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

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.50% for 2020.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other investments	9.00	4.02
Total	<u>100.00 %</u>	<u>4.43 %</u>

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. 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 the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements, however, they are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB asset	\$ 49,527	\$ 199,181	\$ 322,208

Sensitivity of the City's Proportionate Share of the Net OPEB Asset 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 asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 204,035	\$ 199,181	\$ 193,749

Changes between Measurement Date and Report Date

During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Cost of Living Adjustments	2.20% simple per year

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%.

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

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

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

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

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

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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, 2020, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return **
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation		
Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: assumptions are geometric.

* levered 2.5x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96%. For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. 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 of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 and 2.75% at December 31, 2019, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 2.96% for 2020 and 3.56% for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96%), or one percentage point higher (3.96%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 813,448	\$ 652,354	\$ 519,470

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

NOTE 11 - RISK MANAGEMENT

The City belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$ 21,777,439
Liabilities	<u>(15,037,383)</u>
Members' Equity	<u>\$ 6,740,056</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 12 – OPERATING LEASE

The City leases land under a non-cancelable operating lease. The lease is for a term of ninety-nine years commencing on August 1, 2000, and ending on July 31, 2099, with lease payments being renegotiable after fifty (50) years. Lease payments for the first five years were \$6,000 per year and increase five percent for each subsequent five-year period for the first 50 years. The lease payments are being paid from the water fund.

The future minimum lease payments for the lease through 2049 are as follows:

<u>Year Ending December 31,</u>	<u>Payment</u>
2022	\$ 7,293
2023	7,293
2024	7,293
2025	7,658
2026	7,658
2027-2031	39,054
2032-2036	41,006
2037-2041	43,057
2042-2046	45,208
2047-2049	<u>27,924</u>
Total	<u>\$ 233,444</u>

NOTE 13 - CONTINGENCIES

Federal and State Grants

The City received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for disbursements disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 14 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2021, consisted of the following, as reported in the fund financial statements:

<u>Transfers To</u>	<u>Transfers From</u>		
	<u>General</u>	<u>Street</u>	<u>Total</u>
Nonmajor governmental funds	\$ 107,363	\$ 42,699	\$ 150,062
Nonmajor enterprise funds	<u>49,500</u>	<u>-</u>	<u>49,500</u>
Total	<u>\$ 156,863</u>	<u>\$ 42,699</u>	<u>\$ 199,562</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - INTERFUND TRANSACTIONS – (Continued)

Transfers from the Street Fund were to the Bond Retirement Fund and the Note Retirement Fund to make debt payments.

Interfund transfers between governmental funds are eliminated in the statement of activities - cash basis.

Also, during the year, the refuse enterprise fund repaid a \$52,000 advance from the general fund.

NOTE 15 – COMMITMENTS

The City’s encumbrance policy for the year ended December 31, 2021 is that individual encumbrances can be issued for any amount to be considered significant encumbrances. All encumbrances are classified as assigned fund balance in the general fund and as committed or restricted fund balance in the other governmental funds.

Encumbrances as of December 31, 2021 were:

Fund	Year-End Encumbrances
General fund	\$ 165,705
Street	8,249
Nonmajor governmental	487,595
Total	\$ 661,549

NOTE 16 – TAX ABATEMENT

The City entered into a tax abatement agreement with International Paper for the abatement of property taxes to bring jobs and economic development into the City. The agreement affects the property tax receipts collected and distributed to the City. Under the agreement, the City property tax collections were reduced in 2021 by \$10,883.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. Grove Cemetery Association

The Grove Cemetery Association (the Association) is a jointly-governed organization consisting of Buck, Pleasant and Goshen Townships and the City of Kenton. The Association is governed by a board of trustees consisting of one representative from each township and the City. The degree of control exercised by any participating entity is limited to its representation on the board.

Operating funds for the Association are provided from property taxes assessed against property owners located within the Townships and the City making up the Association and charges assessed for services of the Association. The City provides no other funds to the Association. Financial information may be obtained from Roger Crowe, Fiscal Officer at 15443 St. Rt. 309, Kenton, OH 43326.

B. Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a jointly-governed organization between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office. The City is represented by one member.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS - (Continued)

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

C. BKP Ambulance District

The constitution and laws of the State of Ohio establish the rights and privileges of the BKP Ambulance District, Hardin County, (the District) as a body corporate and politic. A seven-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Buck, Cessna, Dudley, Goshen, Lynn and Pleasant Townships in Hardin County, and the City of Kenton. Financial information can be obtained from Morgan Smith, Fiscal Officer, 439 South Main Street, Kenton, Ohio 43326.

NOTE 18 - COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the City received \$428,432 as an on-behalf of grant from another government. These amounts are recorded in the Local Fiscal Recovery Special Revenue Fund.

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**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 19 - FUND BALANCE

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

Fund balance	General	Street	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Unclaimed funds	\$ 24,118	\$ -	\$ -	\$ 24,118
Total nonspendable	<u>24,118</u>	<u>-</u>	<u>-</u>	<u>24,118</u>
Restricted:				
Street maintenance	-	115,160	128,879	244,039
Home repair	-	-	26,413	26,413
Economic development	-	-	1,937	1,937
Court improvements	-	-	105,873	105,873
Police pension	-	-	28,759	28,759
Fire pension	-	-	30,017	30,017
Police improvements	-	-	36,055	36,055
Local fiscal recovery	-	-	298,958	298,958
Indigent drivers	-	-	101,775	101,775
Probation services	-	-	47,054	47,054
Miscellaneous	-	-	6,460	6,460
Total restricted	<u>-</u>	<u>115,160</u>	<u>812,180</u>	<u>927,340</u>
Committed:				
Park and recreation	-	-	35,171	35,171
Total committed	<u>-</u>	<u>-</u>	<u>35,171</u>	<u>35,171</u>
Assigned:				
Legislative & executive	24,923	-	-	24,923
Judicial	10,556	-	-	10,556
Public safety	62,127	-	-	62,127
Capital outlay	68,099	-	-	68,099
Total assigned	<u>165,705</u>	<u>-</u>	<u>-</u>	<u>165,705</u>
Unassigned	<u>3,244,871</u>	<u>-</u>	<u>-</u>	<u>3,244,871</u>
Total fund balances	<u>\$ 3,434,694</u>	<u>\$ 115,160</u>	<u>\$ 847,351</u>	<u>\$ 4,397,205</u>

**CITY OF KENTON
HARDIN COUNTY, OHIO**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
Income taxes	\$ 3,019,105	\$ 3,181,382	\$ 3,629,855	\$ 448,473
Property and other local taxes	263,622	277,792	317,806	\$ 40,014
Charges for services	276,157	291,000	300,904	9,904
Licenses and permits	53,191	56,050	54,582	(1,468)
Fines and forfeitures	185,053	195,000	212,148	17,148
Intergovernmental	178,657	188,260	214,919	26,659
Investment income	23,725	25,000	4,413	(20,587)
Contributions and donations	44,318	46,700	49,865	3,165
Payments in lieu of taxes	-	-	7	7
Other	285,457	300,800	263,941	(36,859)
Total budgetary basis receipts	<u>4,329,285</u>	<u>4,561,984</u>	<u>5,048,440</u>	<u>486,456</u>
Budgetary basis disbursements:				
General government:				
Legislative & executive	861,224	884,576	694,995	189,581
Judicial	433,213	471,819	410,407	61,412
Public safety	2,860,482	3,035,323	2,772,516	262,807
Health	88,500	88,500	88,500	-
Economic development	-	6,000	6,000	-
Capital outlay	46,631	151,921	135,410	16,511
Debt service:				
Principal retirement	21,433	21,433	21,433	-
Interest and fiscal charges	1,821	1,821	1,821	-
Total budgetary basis disbursements	<u>4,313,304</u>	<u>4,661,393</u>	<u>4,131,082</u>	<u>530,311</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>15,981</u>	<u>(99,409)</u>	<u>917,358</u>	<u>1,016,767</u>
Other financing sources (uses):				
Sale of assets	-	-	1,110	1,110
Advances in	-	52,000	52,000	-
Transfers in	-	25,000	13,000	(12,000)
Transfers out	(388,825)	(448,325)	(157,789)	290,536
Total other financing sources (uses)	<u>(388,825)</u>	<u>(371,325)</u>	<u>(91,679)</u>	<u>279,646</u>
Net change in fund balances	(372,844)	(470,734)	825,679	1,296,413
Fund balances at beginning of year	2,316,551	2,316,551	2,316,551	-
Prior year encumbrances appropriated	125,853	125,853	125,853	-
Fund balance at end of year	<u>\$ 2,069,560</u>	<u>\$ 1,971,670</u>	<u>\$ 3,268,083</u>	<u>\$ 1,296,413</u>

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

**CITY OF KENTON
HARDIN COUNTY, OHIO**

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Licenses and permits	\$ 500	\$ 500	\$ 420	\$ (80)
Intergovernmental	525,252	525,252	566,004	40,752
Investment income	1,200	1,200	278	(922)
Other	5,000	5,000	156	(4,844)
Total budgetary basis receipts	<u>531,952</u>	<u>531,952</u>	<u>566,858</u>	<u>34,906</u>
Budgetary basis disbursements:				
Public works	747,844	771,202	594,953	176,249
Capital outlay	295,344	279,344	148,269	131,075
Total budgetary basis disbursements	<u>1,043,188</u>	<u>1,050,546</u>	<u>743,222</u>	<u>307,324</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(511,236)</u>	<u>(518,594)</u>	<u>(176,364)</u>	<u>342,230</u>
Other financing sources (uses):				
Bond issuance	54,457	54,457	54,115	(342)
OWDA loan issuance	150,000	150,000	-	(150,000)
Transfers in	194,000	194,000	-	(194,000)
Transfers out	(44,171)	(44,171)	(42,699)	1,472
Total other financing sources (uses)	<u>354,286</u>	<u>354,286</u>	<u>11,416</u>	<u>(342,870)</u>
Net change in fund balances	(156,950)	(164,308)	(164,948)	(640)
Fund balances at beginning of year	139,446	139,446	139,446	-
Prior year encumbrances appropriated	132,413	132,413	132,413	-
Fund balance at end of year	<u>\$ 114,909</u>	<u>\$ 107,551</u>	<u>\$ 106,911</u>	<u>\$ (640)</u>

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY INFORMATION

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - BUDGETARY PROCESS

All funds, except custodial funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations ordinance is the City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the City Council. The legal level of control has been established by the City Council at the fund, department, and object level for all funds. Any budgetary modifications at this level may only be made by ordinance of the City Council.

Tax Budget – The Hardin County Budget Commission has adopted a resolution waiving required adoption of the annual tax budget for subdivisions that file their prior year financial statement with the Commission by June 30th and which either have no public debt or which have public debt and file additional debt-related information with the Commission.

Estimated Resources – Prior to October 1, the City accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures/expenses from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about January 1, the certificate is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported in the budgetary schedules reflect the amounts in the final amended certificate issued during 2021.

Appropriations – By March 31, the annual appropriation ordinance must be legally enacted by the City at the fund, department, and object level which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the City may pass a temporary appropriation measure to meet the ordinary expenses of the City. The appropriation ordinance, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation or alter total appropriations within an object of a department must be approved by City Council. Council may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent amended certificate of estimated resources. During the year, several supplemental appropriations were adopted. The budget figures which appear in the schedules of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Budgeted Level of Expenditure/Expense – Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made by department and object levels, which include personal services, materials and supplies, contractual services, other expenditures/expenses, capital outlay and transfers, along with individual accounts for bond and note principal retirement, and interest and fiscal charges.

Lapsing of Appropriations - Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**CITY OF KENTON
HARDIN COUNTY, OHIO**

NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 - BUDGETARY PROCESS - (Continued)

Encumbrances – Encumbrance accounting is utilized by City funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year end appear as an assigned, committed, or restricted fund balance and as the equivalent of expenditures on the budgetary comparison in order to demonstrate legal compliance. This encumbrance authority is carried forward to the next fiscal year and is reported in the “Revised Budget” amount for budgetary comparisons. If the actual expenditures are less than the amount encumbered in the general fund, the excess is closed to the unassigned fund balance.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Budgetary Comparison Schedule presented for the General Fund and Street Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis disbursements are outstanding year-end encumbrances. They are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis). The difference between the budgetary basis and the cash basis receipts reported in the general fund is from collected fine and forfeitures by the Hardin Municipal Court custodial fund by year-end but not distributed until after year-end. The following table summarizes the adjustments necessary to reconcile these cash basis schedules to the budgetary basis schedules for the general fund and the street fund.

	<u>General</u>	<u>Street</u>
Budget basis	\$ 825,679	\$ (164,948)
Municipal Court receipts	(1,833)	-
Cash transfer to debt service	(12,074)	-
Adjustment for encumbrances	<u>165,705</u>	<u>8,249</u>
Cash basis	<u>\$ 977,477</u>	<u>\$ (156,699)</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Kenton
Hardin County
PO Box 220
Kenton, Ohio 43326

To the Members of Council:

We have audited, 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, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kenton, Hardin County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 28, 2022, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and continuing emergency measures may impact subsequent periods of the City.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes 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 City'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2021-001.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Keith Faber
Auditor of State
Columbus, Ohio

July 28, 2022

CITY OF KENTON
HARDIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2021-001

Noncompliance Citation

Ohio Rev. Code § 117.38(A) provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The City prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the City may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the City's ability to evaluate and monitor the overall financial condition of the City. To help provide the users with more meaningful financial statements, the City should prepare its financial statements according to generally accepted accounting principles.

OFFICIALS' RESPONSE:

City Council passed Resolution #04-003 on February 23, 2004 that stated "to be more cost efficient... That, effective fiscal year 2003, the City of Kenton will report on a cash basis as opposed to GAAP and/or GASB 34." This Resolution remains in effect and the City will continue to report on a cash basis for the foreseeable future to remain cost efficient.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-002	Noncompliance Citation - Ohio Rev. Code § 117.38 The financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America.	Not Corrected Repeated as Finding 2021-001	City has no intentions of filing GAAP statements to remain cost efficient
2020-001	Sufficient Deficiency – Water Production and Billing – Lack of internal control related to the production and sale of water in the City	In process of being corrected Repeated in the Management Letter	The city continues to work on and resolve this issue. The percentage of water unaccounted for decreased from 33% in 2020 to 28% in 2021. A new Utility Board was created in 2022 to review issues regarding all utilities provided by the city.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF KENTON

HARDIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/8/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov