City of Union
Montgomery County, Ohio

Basic Financial Statements

For Year Ended December 31, 2018

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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City Council
City of Union
118 North Main Street
Union, Ohio 45322

We have reviewed the *Independent Auditors' Report* of the City of Union, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

August 2, 2019

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INDEPENDENT AUDITORS' REPORT

Members of City Council
City of Union, Ohio
118 North Main Street
Union, Ohio 45322

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 19, 2019

The discussion and analysis of the City of Union's financial performance provides an overview of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- Governmental activities reported a change in net position of $29,563; an increase of less than one percent.
- Business-type activities reported a change in net position of $3,900; an increase of less than one percent.
- The General Fund reported a fund balance of $1,035,550 which was an increase of $71,715 from the fund balance reported at the end of the prior year.
- The City continues to work through the Montgomery County Transportation Improvement District (MCTID) to finalize the infrastructure improvements to the Global Logistics Air Park necessary to facilitate development within the Park. The MCTID has been responsible for the administration of the project costs, including financing, until the infrastructure is titled over to the City. The total outstanding project cost is reported as an intergovernmental payable by the City and at December 31, 2018 this liability totaled $9.8 million.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized to provide the reader with an overview of the City's condition as a whole and then proceed to provide a more detailed view of the City's operations.

The Statement of Net Position and the Statement of Activities provide the overview of the whole City, with a longer-term outlook of the City's financial condition. Major fund financial statements provide the next level of detail, providing information on short-term activities with a focus on the City's most significant funds. The remaining non-major funds are presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially in 2018?"

The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, liabilities, and deferred inflow/outflow of resources of the City using the accrual basis of accounting, similar to the accounting methods used by private-sector companies. This basis of accounting includes all of the current year's revenue and expenses, regardless of when cash was received or paid.

These two statements report the City's net position and the change in that position from the prior year. Net position can be defined as the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources, and the measurement of this difference can be used to monitor the City's financial health. Other factors must then be considered, such as the City's property tax base, the condition of the streets and other capital assets, and the growth or decline in area businesses and residential neighborhoods.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

- Governmental Activities – Most of the City's services are reported here and include police, fire, emergency medical, refuse collection, public maintenance, parks and recreation, judicial, legislative, and executive.

- Business-Type Activities – These services include water, sewer, and stormwater. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins after the Statement of Activities. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has two kinds of funds - "governmental" and "proprietary". The proprietary funds support the business-type activities.

Governmental Funds – Fund financial statements provide the detailed information about the General, Police, Fire/EMS and TIF funds. Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources available in the near future to finance City programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – City utility services for water, sewer, and stormwater are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Position and the Statement of Activities and reported in much the same manner as proprietary funds; therefore, these statements will essentially match. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental 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 governmental-wide and fund financial statements.

Required Supplementary Information - The required supplementary information (RSI) provides readers with information related to the City's budgetary information for the General Fund and major special revenue funds as well as information on the City's proportionate share of net pension and OPEB liabilities and related contributions.

The City as a Whole

The Statement of Net Position provides a perspective of the City as a whole. Table 1 provides a summary of the City's net position for the year ended December 31, 2018 as compared to the restated amounts for the year ended December 31, 2017.

TABLE 1
Statement of Net Position, December 31

		2018			2017 - Restated		
		Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets:							
Current and Other Assets	$	7,819,562	3,803,794	11,623,356	7,005,702	4,866,577	11,872,279
Capital Assets		6,470,724	13,800,379	20,271,103	6,465,438	12,355,556	18,820,994
Total Assets		14,290,286	17,604,173	31,894,459	13,471,140	17,222,133	30,693,273
Deferred Outflows of Resources		10,611,988	187,673	10,799,661	11,664,742	283,434	11,948,176
Liabilities:							
Current and Other Liabilities		9,895,161	13,094	9,908,255	10,942,839	19,847	10,962,686
Long-term Liabilities		4,763,427	7,836,440	12,599,867	4,863,655	7,710,283	12,573,938
Total Liabilities		14,658,588	7,849,534	22,508,122	15,806,494	7,730,130	23,536,624
Deferred Inflows of Resources		4,205,661	174,268	4,379,929	3,320,926	11,293	3,332,219
Net Position:							
Net Investment in Capital Assets		5,668,712	8,801,322	14,470,034	5,545,810	8,917,061	14,462,871
Restricted		2,449,662	-	2,449,662	2,280,917	-	2,280,917
Unrestricted		(2,080,349)	966,722	(1,113,627)	(1,818,265)	847,083	(971,182)
Total Net Position	$	6,038,025	9,768,044	15,806,069	6,008,462	9,764,144	15,772,606

The net pension liability (NPL) reported by the City as of December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27". For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

As a result of implementing GASB 75, The City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from $7,364,518 to $6,008,462 for governmental activities and from $10,001,761 to $9,764,144 for business-type activities.

The amount by which the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of December 31, 2018 the City's overall net position was $15.8 million. Of this amount, $14.5 million was invested in capital assets, net of related debt. The small increase in net investment in capital assets reported for 2018 compared to 2017 is attributable to the capital assets additions being slightly more than the current year depreciation plus the additional capital debt issued during the year.

Governmental activities reported an 11.6 percent increase in current assets at the end of 2018 compared one year prior. This increase was the result of a $218,698 increase in pooled cash and equivalents and a $434,283 increase in taxes receivable. Pooled cash and cash equivalents increased due to conservative budgeting of the resources available. Taxes receivable increased at December 31, 2018 as voters approved two separate 2.5 mills property tax levies, one to support the operations of the Police Department and the other to support the operation of the Fire and EMS Department. Both levies were approved during calendar year 2018, with collection beginning in calendar year 2019.

Current liabilities of the governmental activities decreased by 9.6 percent during 2018 due primarily to the $1,039,538 decrease in the intergovernmental payable recorded by the City associated with the financing of the development of the Air Park project. The MCTID currently holds both the infrastructure as well as the related debt associated with the Air Park and the City remits the TIF service payments received to MCTID for debt service payments. 2018 represented the third year that payments were made by the City against these obligations. Long-term liabilities decreased slightly compared with the beginning of the year as the City made payments against general obligation bonds and the net pension and OPEB liabilities did not change significantly during the year.

Total assets of the business-type activities increased by 2.2 percent compared to those reported for 2017. The decrease in pooled cash and cash equivalents was offset by an increase in capital assets during the year as the City continues the improvement project at the waste water treatment plant. There was no significant change in the liability accounts reported for the business-type activities.

The following table shows the changes in net position for the year ended December 31, 2018 as compared to fiscal year ended December 31, 2017.

TABLE 2
Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES:						
Program Revenues:						
Charges for Services	$ 1,260,521	1,244,410	1,702,567	1,629,953	2,963,088	2,874,363
Operating Grants and Contributions	801,861	800,974	-	-	801,861	800,974
Capital Grants and Contributions	70,000	-	71,837	26,613	141,837	26,613
General Revenues:						
Income Taxes	1,066,136	1,185,795	-	-	1,066,136	1,185,795
Property Taxes	1,605,200	1,560,296	-	-	1,605,200	1,560,296
TIF Service Payments	1,789,953	1,782,700	-	-	1,789,953	1,782,700
Grants and Contributions not Restricted	107,635	109,342	-	-	107,635	109,342
Investment Income	47,511	18,819	79,653	18,283	127,164	37,102
Other Revenue	116,510	116,746	24,504	20,034	141,014	136,780
Transfers	(114,010)	128,228	114,010	(128,228)	-	-
Total Revenue	6,751,317	6,947,310	1,992,571	1,566,655	8,743,888	8,513,965
EXPENSES:						
General Government	3,175,214	2,707,984	-	-	3,175,214	2,707,984
Security of Persons and Property	2,101,599	2,123,923	-	-	2,101,599	2,123,923
Public Health Services	14,235	22,695	-	-	14,235	22,695
Transportation	707,793	922,224	-	-	707,793	922,224
Community Environment	612,380	557,341	-	-	612,380	557,341
Leisure Time Activities	91,222	93,506	-	-	91,222	93,506
Water	-	-	679,249	658,395	679,249	658,395
Sewer	-	-	1,096,048	926,626	1,096,048	926,626
Stormwater	-	-	213,374	203,461	213,374	203,461
Interest Expense	19,311	57,812	-	-	19,311	57,812
Total Expenses	6,721,754	6,485,485	1,988,671	1,788,482	8,710,425	8,273,967
Change in Net Position	29,563	461,825	3,900	(221,827)	33,463	239,998
Net Position, Beginning of Year - Restated	6,008,462	N/A	9,764,144	N/A	15,772,606	N/A
Net Position, End of Year	$ 6,038,025	6,008,462	9,768,044	9,764,144	15,806,069	15,772,606

The information necessary to restate the 2017 beginning balance and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $19,620 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contribution to the plans. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $197,041. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 program expenses under GASB 75	$ 6,721,754	$ 1,988,671
OPEB expense under GASB 75	(150,763)	(46,278)
2018 contractually required contributions	2,099	-
Adjusted 2018 program expenses	6,573,090	1,942,393
Total 2017 program expenses under GASB 45	6,485,485	1,788,482
Increase in program expenses not related to OPEB	$ 87,605	$ 153,911

Governmental Activities

With the OPEB expense excluded, total expenses of governmental activities increased slightly (1.4%) over those reported in 2017. The largest increase was reported in the general government function and relates to additional expenses reported by the TIF fund to the MCTID for 2018 as well as additional expenses related a grant funded project which occurred during the year. The most significant decrease was noted in the transportation function and was attributable primarily to the additional roadway paving projects completed in 2017 as compared with those completed during the current year. An additional factor resulting in the higher expenses for 2018 was the additional expenses related to pension and OPEB as reported by the State-wide pension system. As previously mentioned, the City's pension and OPEB expenses are now based on several factors including the future benefits that have already been earned based on service and the performance of the investment portfolios held by the retirement systems. The change in assumptions within the retirement systems resulted in 2018 pension expense being in excess of the contractually required contribution for the participating employers. The volatility experienced by the retirement system will have a corresponding volatility to the reported expenses of the participating employers as well.

The City's second largest function expense is for Security of Persons and Property. During 2018 expenses in this function decreased 1.1% from those of the prior year. This function currently has a voted property tax levy which generates funds to help cover the net expenses of approximately $1.4 million. In addition, the two new levies approved in 2018, collection beginning in 2019, will be used to fund operations reported within this function. In comparison, the General Government function reported program revenue totaling just $298,693, resulting in a net expense of $2.9 million. However, as mentioned above the activity of the TIF district is accounted for within this functional area and revenue generated by this activity was $1.8 million for the year and reported within the general revenues section of the statement of activities.

Business-Type Activities

Overall, the City's business-type activities generated $1.8 million in program revenues and reported a small positive change in net position for the year. The $3,900 increase in net position was an improvement over the $221,827 decrease in net position reported in the prior year. Total expenses reported for the Water and Stormwater activities increased less than five percent compared to those reported for the prior year. The increase in expenses reported by the Sewer activity can be attributed to the additional costs associated with the waste water treatment plant improvement project which could not be capitalized.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

TABLE 3
Total and Net Cost of Program Services

		2018		2017	
		Total Cost of Service	**Net Cost of Service**	**Total Cost of Service**	**Net Cost of Service**
GOVERNMENTAL ACTIVITIES:					
General Government	$	3,175,214	(2,876,521)	2,707,984	(2,376,514)
Security of Persons and Property		2,101,599	(1,387,132)	2,123,923	(1,396,446)
Public Health Services		14,235	(7,549)	22,695	(13,797)
Transportation		707,793	(202,288)	922,224	(506,037)
Community Environment		612,380	(7,249)	557,341	(1,290)
Leisure Time Activities		91,222	(89,322)	93,506	(88,205)
Interest Expense		19,311	(19,311)	57,812	(57,812)
Total Expenses	$	6,721,754	(4,589,372)	6,485,485	(4,440,101)
BUSINESS-TYPE ACTIVITIES:					
Water	$	679,249	4,966	658,395	6,737
Sewer		1,096,048	(143,529)	926,626	(70,733)
Stormwater		213,374	(75,704)	203,461	(67,920)
Total Expenses	$	1,988,671	(214,267)	1,788,482	(131,916)

THE CITY'S FUNDS

Governmental Funds
The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. As of December 31, 2018, the City's governmental funds reported revenues and other financing sources of $7.3 million and expenditures and other financing uses of $7.0 million, with combined fund balances amounting to $2.8 million. Of the $2.8 million fund balance, $1.8 million is restricted or committed for specific purposes and cannot be used for general operations.

The General Fund is the primary operating fund of the City. At December 31, 2018, the unassigned fund balance of the General Fund was reported at $229,258, a decrease from the $363,968 reported at the end of the prior year. The decrease in unassigned fund balance resulted primarily from the amount reported as assigned for subsequent budget appropriations begin higher than the amount reported at the end of the prior year. Expenditures and other financing uses of the General Fund decreased by 2.1 percent compared with those reported in the prior year as the City spent less on capital outlay and parks than it did in the prior year.

The Police and Fire/EMS Funds rely on property tax levies to fund operations and budgets are adopted based on anticipated tax revenues. Significant changes in operations are not likely due to restraints on revenue. Annually, the General Fund provides operating transfers to both Funds to supplement the property tax and charges for services dedicated to these functions. Factor affecting the TIF Fund have been discussed above.

Enterprise Funds

The City's enterprise funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to $584,937, $359,939 and $21,846 for the water, sewer and stormwater funds, respectively. The changes in net position for the water, sewer and stormwater funds were increases (decreases) of $40,643, $37,997 and ($74,740), respectively. Total operating expenses for all proprietary funds were $1.9 million which were $164,174 more than the operating revenues reported. Ending unrestricted net position as of December 31, 2018 was 86.4%, 36.8%, and 10.4% of the operating expenses reported for the water, sewer and stormwater operations, respectively. During 2018, the City's utilities saw revenue growth through an increase in demand due to increased housing starts as well as industrial development. Utility expenses increased during the year due to inflationary factors as well as the wastewater treatment plant improvement project previously mentioned.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was $1.9 million which was $149,525 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to one-time revenues and reimbursements received throughout the year. The City continues to estimate revenues conservatively due to the uncertainty involving some of the City's intergovernmental revenue sources.

Total actual expenditures (including transfers) on the budget basis were $1.8 million which were $358,266 less than original expenditure budget estimates. Actual budgeted expenditures were $490,266 below the final budget estimates for expenditures.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2018, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling $6.5 million and $13.8 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2018 balances compared to December 31, 2017 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 7.

TABLE 4
Capital Assets, December 31

		2018			2017		
		Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$	1,430,709	-	1,430,709	1,430,709	-	1,430,709
Construction in Progress		222,070	1,489,398	1,711,468	67,476	164,676	232,152
Infrastructure		2,234,612	17,820,982	20,055,594	2,195,542	17,190,981	19,386,523
Buildings		2,422,094	3,221,382	5,643,476	2,422,094	3,221,382	5,643,476
Improvements		229,204	31,921	261,125	229,204	31,921	261,125
Equipment		3,652,965	1,996,310	5,649,275	3,524,314	2,004,458	5,528,772
Vehicles		2,089,250	197,982	2,287,232	2,031,401	197,982	2,229,383
Less: Accumulated Depreciation		(5,810,180)	(10,957,596)	(16,767,776)	(5,435,302)	(10,455,844)	(15,891,146)
Totals	$	6,470,724	13,800,379	20,271,103	6,465,438	12,355,556	18,820,994

Overall, the net capital assets increased by $1.5 million (7.7%), from those reported one year prior as current year capital asset additions exceeded depreciation expense for the year. The significant capital assets additions reported for the year include; construction in progress related to multiple projects, primarily the wastewater treatment plant improvement and the West Martindale water line replacement projects, three vehicles, as well as various equipment purchases throughout the City's departments. Depreciation expense for the year was $389,781 for governmental activities and $516,752 for business-type activities.

DEBT ADMINISTRATION

At December 31, 2018 the City reported total debt obligations of $7.8 million consisting of general obligation bonds, OPWC loans payable and capital leases. Governmental activities are responsible for $802,012 of the debt obligations including $100,000 due within the next year. Business-type activities are responsible for the remaining $7.0 million in debt obligations, $393,870 of which are due within one year.

The City's debt obligations at December 31, 2018 consisted of one general obligation bond issue of $4.9 million; one capital lease obligation of $230,362; and several loans through the Ohio Public Works Commission (OPWC) totaling $2.7 million. Principal payments during the year reduced the City's debt obligations by $358,074 while two new OPWC loans of $516,263 more than offset the principal payments made by the City. All of the City's OPWC loans are interest free loans.

See Notes 13 and 14 of the Notes to the Basic Financial Statements for more detailed information on debt obligations of the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact Denise Winemiller, Finance Director, City of Union, 118 North Main Street, Union, Ohio 45322.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	$ 2,125,571	3,678,721	5,804,292
Receivables:			
Taxes	2,275,425	-	2,275,425
Accounts	133,533	120,157	253,690
Special Assessments	394,583	-	394,583
TIF	1,895,618	-	1,895,618
Intergovernmental	386,506	-	386,506
Prepaid Items	9,468	1,680	11,148
Materials and Supplies Inventory	45,703	3,236	48,939
Restricted Cash with Fiscal Agent	553,155	-	553,155
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,430,709	-	1,430,709
Construction in Progress	222,070	1,489,398	1,711,468
Capital assets, net of accumulated depreciation	4,817,945	12,310,981	17,128,926
Total Assets	14,290,286	17,604,173	31,894,459
DEFERRED OUTFLOWS OF RESOURCES:			
Amount Payable on TID Project	9,825,590	-	9,825,590
Pension and OPEB	786,398	187,673	974,071
Total Deferred Outflows of Resources	10,611,988	187,673	10,799,661
LIABILITIES:			
Accounts Payable	50,944	1,193	52,137
Accrued Wages and Benefits	13,945	1,441	15,386
Due to Other Governments	9,828,597	202	9,828,799
Accrued Interest Payable	1,675	10,258	11,933
Noncurrent Liabilities:			
Due Within One Year	126,850	444,168	571,018
Due In More Than One Year:			
Net OPEB Liability	1,657,265	306,043	1,963,308
Net Pension Liability	2,136,307	479,367	2,615,674
Other	843,005	6,606,862	7,449,867
Total Liabilities	14,658,588	7,849,534	22,508,122
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes	1,957,695	-	1,957,695
TIF	1,895,618	-	1,895,618
Pension and OPEB	352,348	174,268	526,616
Total Deferred Inflows of Resources	4,205,661	174,268	4,379,929
NET POSITION:			
Net Investment in Capital Assets	5,668,712	8,801,322	14,470,034
Restricted for:			
Public Safety Services	391,069	-	391,069
Transportation	761,304	-	761,304
Street Lights	615,126	-	615,126
Economic Development	554,480	-	554,480
Refuse Collection	90,133	-	90,133
Other Purposes	37,550	-	37,550
Unrestricted	(2,080,349)	966,722	(1,113,627)
Total Net Position	$ 6,038,025	9,768,044	15,806,069

See accompanying notes to the basic financial statements.

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CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Security of Persons and Property	$ 2,101,599	497,428	217,039	-	(1,387,132)		(1,387,132)
Public Health Services	14,235	6,686	-	-	(7,549)		(7,549)
Leisure Time Activities	91,222	1,900	-	-	(89,322)		(89,322)
Community Environment	612,380	582,352	22,779	-	(7,249)		(7,249)
Transportation	707,793	-	505,505	-	(202,288)		(202,288)
General Government	3,175,214	172,155	56,538	70,000	(2,876,521)		(2,876,521)
Interest and Issuance Costs	19,311	-	-	-	(19,311)		(19,311)
Total Governmental Activities	6,721,754	1,260,521	801,861	70,000	(4,589,372)		(4,589,372)
Business-Type Activities:							
Water	679,249	612,378	-	71,837		4,966	4,966
Sewer	1,096,048	952,519	-	-		(143,529)	(143,529)
Stormwater	213,374	137,670	-	-		(75,704)	(75,704)
Total Business-Type Activities	1,988,671	1,702,567	-	71,837		(214,267)	(214,267)
Total	$ 8,710,425	2,963,088	801,861	141,837	(4,589,372)	(214,267)	(4,803,639)
General Revenues and Transfers:							
Taxes:							
Income Taxes for General Operations					1,066,136	-	1,066,136
Property Taxes, Levied for:							
General Operations					169,725	-	169,725
Security of Persons and Property					1,192,802	-	1,192,802
Transportation					242,673	-	242,673
TIF Service Payments					1,789,953	-	1,789,953
Grants and Contributions not Restricted to Specific Programs					107,635	-	107,635
Investment Income					47,511	79,653	127,164
Other Revenue					116,510	24,504	141,014
Transfers					(114,010)	114,010	-
Total General Revenues and Transfers					4,618,935	218,167	4,837,102
Change in Net Position					29,563	3,900	33,463
Net Position, Beginning of Year - Restated					6,008,462	9,764,144	15,772,606
Net Position, End of Year					$ 6,038,025	9,768,044	15,806,069

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Balance Sheet
Governmental Funds
December 31, 2018

		General Fund	Police Fund	Fire/EMS Fund	TIF Fund
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	$	941,361	133,155	104,531	1,325
Receivables:					
Taxes		443,503	954,989	614,866	-
Accounts		18,917	-	62,374	-
Special Assessments		23,368	-	-	-
TIF		-	-	-	1,895,618
Intergovernmental		52,066	70,376	39,585	-
Prepaid Items		7,838	1,070	-	-
Materials and Supplies Inventory		20,133	-	406	-
Restricted Cash with Fiscal Agent		-	-	-	553,155
Total Assets		1,507,186	1,159,590	821,762	2,450,098
DEFERRED OUTFLOWS OF RESOURCES:					
Amount Payable on TID Project		-	-	-	9,825,590
Total Assets and Deferred Outflow of Resources	$	1,507,186	1,159,590	821,762	12,275,688
LIABILITIES:					
Accounts Payable	$	3,538	406	463	-
Accrued Wages and Benefits		1,184	1,148	9,917	-
Due to Other Governments		166	224	2,380	9,825,590
Total Liabilities		4,888	1,778	12,760	9,825,590
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes		160,212	937,015	603,328	-
TIF		-	-	-	1,895,618
Unavailable Revenue		306,536	87,799	113,014	-
Total Deferred Inflow of Resources		466,748	1,024,814	716,342	1,895,618
FUND BALANCES:					
Nonspendable:					
Prepaid Items		7,838	1,070	-	-
Material and Supplies Inventory		20,133	-	406	-
Restricted:					
Security of Person and Property		-	131,928	92,254	-
Street Repair and Maintenance		-	-	-	-
Street Lighting		-	-	-	-
Economic Development		-	-	-	554,480
Debt Service		-	-	-	-
Other		-	-	-	-
Committed:					
Community Environment		-	-	-	-
Assigned:					
Recreation Programs		28,569	-	-	-
Subsequent Purchases		6,752	-	-	-
Subsequent Appropriations		743,000	-	-	-
Unassigned		229,258	-	-	-
Total Fund Balances		1,035,550	132,998	92,660	554,480
Total Liabilities, Deferred Inflow of Resources and Fund Balances	$	1,507,186	1,159,590	821,762	12,275,688

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
945,199	2,125,571
262,067	2,275,425
52,242	133,533
371,215	394,583
-	1,895,618
224,479	386,506
560	9,468
25,164	45,703
-	553,155
1,880,926	7,819,562
-	9,825,590
1,880,926	17,645,152
46,537	50,944
1,696	13,945
237	9,828,597
48,470	9,893,486
257,140	1,957,695
-	1,895,618
575,305	1,082,654
832,445	4,935,967
560	9,468
25,164	45,703
18	224,200
564,977	564,977
269,408	269,408
-	554,480
15,622	15,622
23,735	23,735
100,527	100,527
-	28,569
-	6,752
-	743,000
-	229,258
1,000,011	2,815,699
1,880,926	17,645,152

CITY OF UNION

MONTGOMERY COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances	$ 2,815,699
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	6,470,724
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.	
Income Taxes	215,842
Property Taxes	37,616
Intergovernmental	353,322
Charges for Services	104,659
Special Assessments	371,215
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(775,000)
Unamortized Bond Premium	(27,012)
Accrued Interest Payable	(1,675)
Compensated Absences	(167,843)
The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and the related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension and OPEB	786,398
Deferred Inflows - Pension and OPEB	(352,348)
Net OPEB Liability	(1,657,265)
Net Pension Liability	(2,136,307)
Net Position of Governmental Activities	$ 6,038,025

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

		General Fund	Police Fund	Fire/EMS Fund	TIF Fund
REVENUES:					
Income Taxes	$	1,060,096	-	-	-
Property Taxes		170,282	756,103	403,728	-
TIF Service Payments		-	-	-	1,789,953
Intergovernmental Revenue		186,129	133,123	67,726	-
Charges for Services		74,442	-	151,497	-
Special Assessments		45,204	-	-	-
Fines, Licenses and Permits		62,585	-	-	-
Investment Income		18,428	3,629	2,188	4,298
Other Revenue		73,693	15,633	9,329	-
Total Revenues		1,690,859	908,488	634,468	1,794,251
EXPENDITURES:					
Current:					
Security of Persons and Property		-	898,388	673,966	-
Public Health Services		-	-	-	-
Leisure Time Activities		77,495	-	-	-
Community Environment		-	-	-	-
Transportation		-	-	-	-
General Government		1,141,791	-	-	1,620,369
Capital Outlay		101,275	-	14,496	113,359
Debt Service:					
Principal		-	-	-	-
Interest		-	-	-	-
Total Expenditures		1,320,561	898,388	688,462	1,733,728
Excess (Deficiency) of Revenues Over/ (Under) Expenditures		370,298	10,100	(53,994)	60,523
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Assets		16	-	-	-
Transfers In		-	63,000	162,500	-
Transfers Out		(298,599)	(17,962)	(93,711)	-
Total Other Financing Sources (Uses)		(298,583)	45,038	68,789	-
Net Change in Fund Balances		71,715	55,138	14,795	60,523
Fund Balance, Beginning of Year		963,835	77,860	77,865	493,957
Fund Balance, End of Year	$	1,035,550	132,998	92,660	554,480

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
-	1,060,096
271,533	1,601,646
-	1,789,953
543,027	930,005
589,038	814,977
386,287	431,491
-	62,585
18,968	47,511
17,855	116,510
1,826,708	6,854,774
368,087	1,940,441
14,702	14,702
-	77,495
605,074	605,074
518,997	518,997
51,637	2,813,797
167,404	396,534
114,587	114,587
22,512	22,512
1,863,000	6,504,139
(36,292)	350,635
4,640	4,656
184,772	410,272
(114,010)	(524,282)
75,402	(109,354)
39,110	241,281
960,901	2,574,418
1,000,011	2,815,699

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Total Net Change in Fund Balances - Governmental Funds	$	241,281
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. These amounts comprise the change in capital assets for the year.		
Capital Asset Additions		396,534
Current Year Depreciation		(389,781)
Net Book Value of Disposed Captial Assets		(1,467)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income Taxes		6,040
Property Taxes		3,554
Intergovernmental		49,491
Charges for Services		(22,427)
Special Assessments		(26,105)
Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.		114,587
Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences		(27,525)
Accrued Interest		172
Amortization of Bond Premium		3,029
Contractually required contributions to pension and OPEB plans are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		196,619
Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as expenses in the statement of activities.		(514,439)
Change in Net Position of Governmental Activities	$	29,563

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Fund Net Position
Enterprise Funds
December 31, 2018

		Water	Sewer	Stormwater	Total
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	$	880,671	2,729,740	68,310	3,678,721
Accounts Receivable		50,408	58,277	11,472	120,157
Supplies Inventory		3,236	-	-	3,236
Prepaid Items		560	560	560	1,680
Total Current Assets		934,875	2,788,577	80,342	3,803,794
Non-current Assets:					
Construction in Progress		88,891	1,400,507	-	1,489,398
Depreciable Capital Assets, net		5,582,243	4,752,959	1,975,779	12,310,981
Total Non-current Assets		5,671,134	6,153,466	1,975,779	13,800,379
Total Assets		6,606,009	8,942,043	2,056,121	17,604,173
Deferred Outflows of Resources:					
Pension and OPEB		70,392	105,006	12,275	187,673
Total Deferred Outflows of Resources		70,392	105,006	12,275	187,673
Liabilities:					
Current Liabilities:					
Accounts Payable		849	-	344	1,193
Accrued Wages and Benefits		351	918	172	1,441
Accrued Interest Payable		-	10,258	-	10,258
Due to Other Governments		49	129	24	202
Compensated Absences Payable		21,838	24,873	3,587	50,298
Issue II Loans Payable		96,007	36,124	6,647	138,778
Capital Lease Payable		10,031	10,031	10,030	30,092
General Obligation Bonds Payable		-	225,000	-	225,000
Total Current Liabilities		129,125	307,333	20,804	457,262
Long Term Liabilities:					
Compensated Absences Payable		21,864	24,897	3,604	50,365
Issue II Loans Payable		2,004,758	349,891	165,320	2,519,969
Capital Lease Payable		66,975	66,922	66,373	200,270
General Obligation Bonds Payable		-	3,836,258	-	3,836,258
Net OPEB Liability		112,489	175,317	18,237	306,043
Net Pension Liability		196,262	251,918	31,187	479,367
Total Long Term Liabilities		2,402,348	4,705,203	284,721	7,392,272
Total Liabilities		2,531,473	5,012,536	305,525	7,849,534
Deferred Inflows of Resources:					
Pension and OPEB		66,628	94,024	13,616	174,268
Total Deferred Inflows of Resources		66,628	94,024	13,616	174,268
Net Position:					
Net Investment in Capital Assets		3,493,363	3,580,550	1,727,409	8,801,322
Unrestricted		584,937	359,939	21,846	966,722
Total Net Position	$	4,078,300	3,940,489	1,749,255	9,768,044

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2018

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	$ 570,477	921,783	136,686	1,628,946
Tap-In Fees	19,000	22,800	-	41,800
Other Operating Revenue	22,901	7,936	984	31,821
Total Operating Revenue	612,378	952,519	137,670	1,702,567
Operating Expenses:				
Personal Services	314,377	432,009	83,811	830,197
Contractual Services	112,001	258,422	30,940	401,363
Supplies and Materials	43,638	62,343	10,212	116,193
Other Expenses	1,076	998	162	2,236
Depreciation	205,587	225,486	85,679	516,752
Total Operating Expenses	676,679	979,258	210,804	1,866,741
Operating Loss	(64,301)	(26,739)	(73,134)	(164,174)
Non-Operating Revenues (Expenses):				
Interest	15,635	63,054	964	79,653
Interest and Fiscal Charges	(2,570)	(116,790)	(2,570)	(121,930)
Property Rental Revenue	20,042	4,462	-	24,504
Total Non-Operating Revenues (Expenses)	33,107	(49,274)	(1,606)	(17,773)
Loss Before Operating Transfers and Capital Contributions	(31,194)	(76,013)	(74,740)	(181,947)
Transfers-in	-	114,010	-	114,010
Capital Contributions	71,837	-	-	71,837
Change in Net Position	40,643	37,997	(74,740)	3,900
Net Position at Beginning of Year - Restated	4,037,657	3,902,492	1,823,995	9,764,144
Net Position at End of Year	$ 4,078,300	3,940,489	1,749,255	9,768,044

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2018

		Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	$	617,286	944,290	137,369	1,698,945
Cash Payments to Employees for Services and Benefits		(273,105)	(369,723)	(71,420)	(714,248)
Cash Payments to Suppliers for Goods and Services		(156,889)	(321,815)	(41,022)	(519,726)
Net Cash Provided by Operating Activities		187,292	252,752	24,927	464,971
Cash Flows from Noncapital Financing Activities:					
Property Rental Receipts		20,042	4,462	-	24,504
Net Cash Provided by Noncapital Financing Activities		20,042	4,462	-	24,504
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets		(676,991)	(1,284,584)	-	(1,961,575)
Proceeds from Loans and Notes		516,263	-	-	516,263
Capital Grant		71,837	-	-	71,837
Principal Paid on Capital Leases		(9,741)	(12,438)	(9,741)	(31,920)
Principal Paid on Bonds		-	(90,000)	-	(90,000)
Principal Paid on Loans		(78,798)	(36,124)	(6,645)	(121,567)
Interest Paid		(2,570)	(13,863)	(2,570)	(19,003)
Net Cash Provided (Used) in Capital and Related Financing Activities		(180,000)	(1,437,009)	(18,956)	(1,635,965)
Cash Flows from Investing Activities:					
Interest		15,635	63,054	964	79,653
Net Cash Provided by Investing Activities		15,635	63,054	964	79,653
Net Increase (Decrease) in Cash and Cash Equivalents		42,969	(1,116,741)	6,935	(1,066,837)
Cash and Cash Equivalents Beginning of Year		837,702	3,846,481	61,375	4,745,558
Cash and Cash Equivalents End of Year	$	880,671	2,729,740	68,310	3,678,721
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:					
Operating Income Loss	$	(64,301)	(26,739)	(73,134)	(164,174)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:					
Depreciation		205,587	225,486	85,679	516,752
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable		4,908	(8,229)	(301)	(3,622)
(Increase) Decrease in Supplies Inventory		(276)	-	-	(276)
(Increase) Decrease in Prepaid Items		(52)	(52)	(52)	(156)
(Increase) Decrease in Deferred Outflows		37,566	49,478	8,717	95,761
Increase (Decrease) in Accounts Payable		154	-	344	498
Increase (Decrease) in Accrued Salaries Payable		(2,624)	(3,253)	(326)	(6,203)
Increase (Decrease) in Due to Other Governments		(368)	(455)	(46)	(869)
Increase (Decrease) in Compensated Absences Payable		(11,503)	(9,197)	328	(20,372)
Increase (Decrease) in Net OPEB Liability		24,706	34,903	5,047	64,656
Increase (Decrease) in Net Pension Liability		(68,779)	(97,169)	(14,051)	(179,999)
Increase (Decrease) in Deferred Inflows		62,274	87,979	12,722	162,975
Net Cash Provided by Operating Activities	$	187,292	252,752	24,927	464,971

Capital and Related Financing Activities - Noncash Activity:

In 2018, $114,010 of interest on sewer related debt was paid by the governmental bond retirement fund with capitalized interest posted to that fund when the debt was issued.

See accompanying notes to the basic financial statements.

NOTE 1- REPORTING ENTITY

The City of Union (the City) is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated on July 15, 1907. A charter was first adopted on November 3, 1981.

The municipal government provided by the charter is known as a Mayor-Council-Manager form of government. Legislative power is vested in a seven-member Council, each elected to four-year terms. The Council appoints the City Manager. The City Manager is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees, except as otherwise provided in the charter.

Reporting Entity

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

The primary government consists of all funds and departments which provide various services including police protection, rescue squad, parks and recreation, planning, zoning, street maintenance and repair, community development, public health and welfare, water, sewer and refuse collection. Council and the City Manager are directly responsible for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Union have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. 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.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

Police Fund - This fund accounts for all transactions relating to the provision of police and public safety services to the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fire and EMS Fund - This fund accounts for all transactions relating to the provision of fire protection and emergency services to the City.

TIF Fund - This fund accounts for all transactions relating to the financing, construction and debt service associated with roadway and utility improvements within the TIF district.

The other governmental funds of the City account for grants and other resources whose use is restricted or committed to a particular purpose.

Proprietary Fund Types

The proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City reports only 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 provisions of water treatment and distribution to the residential, commercial and industrial users located within the City.

Sewer Fund - The sewer fund accounts for the provisions of sanitary sewer service to the residential, commercial and industrial users located within the City.

Storm Water Fund - This fund accounts for the collection of storm water runoff from residential, commercial and industrial users within the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no funds which are classified as fiduciary funds.

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue (unavailable deferred resources) and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is thirty-one (31) days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income tax, property tax, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the tax imposed takes place and revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income tax, state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), fines and forfeitures, and investment earnings.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. For the City, deferred outflows of resources include a deferral of amounts payable associated with the infrastructure construction project being managed and recorded by the Montgomery County Transportation Improvement District (MCTID) and for pension and OPEB plans. Financing for the infrastructure project is provided by a SIB loan from the State of Ohio, through the Montgomery County Port Authority. Once the project is complete, the MCTID will transfer the project to the City in its entirety. The amount recorded as a deferred outflow of resources at December 31, 2018 represents the amount borrowed against the SIB loan for the project as of that date (see Note 17). The deferred outflows of resources related to pension and OPEB plans are explained further in Notes 9 and 10.

In addition to liabilities, the statements of financial position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until then. For the City, deferred inflows of resources include property taxes, tax incremental financing (TIF), unavailable revenues, and for pension and OPEB plans. Property taxes and TIF represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund balance sheet. TIF payments represent reallocation of additional property taxes generated by the improvements noted in the previous paragraph to be used for debt retirement. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. These amounts are recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and further explained in Notes 9 and 10.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents". The City had funds in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

The City also invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2018. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2018. There are no limitations or restrictions on withdrawals from these investments due to redemption notice periods, liquidity fees, or redemption gates. STAROhio does require notice to be given 24 hours in advance for all deposits or withdrawals exceeding $25 million. STAROhio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the STAROhio investors will be combined for these purposes.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Interest income is distributed to the funds according to charter and statutory requirements.

Interest revenue is distributed to the funds according to statutory requirements. Interest revenue earned during 2018 amounted to $47,511 and $79,653 in the governmental funds and proprietary funds, respectively.

Supplies Inventory

Inventories are stated at cost using the first-in, first-out (FIFO) method and are expensed when used. Reported supplies inventory is included within the nonspendable fund balance classification in the governmental fund category, which indicates it does not constitute available resources.

Internal Balances

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances”. For the year ended December 31, 2018, the City reported no internal balance transactions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the respective enterprise fund financial statements and in the business-type activities column of the government-wide statement of net position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated acquisition value as of the date received. The City maintains a capitalization threshold of $5,000, effective for 2018. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expended. Interest incurred during the construction of capital assets is also capitalized in the enterprise funds.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50-75 years
Land Improvements	20-30 years
Equipment	5-20 years
Vehicles	5-20 years
Infrastructure	20-50 years
Utility Structures in Service	50-75 years

Compensated Absences

The City has implemented Governmental Accounting Standards Board Statement No. 16 "Accounting for Compensated Absences". Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.

2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued using the vesting method which states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension and OPEB liabilities that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term bonds, notes, and loans are recognized as a liability on the fund financial statements when due. The proprietary funds report all payables, accrued liabilities and long-term obligations associated with the proprietary funds.

Pensions and OPEB

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

Restricted Cash with Fiscal Agent

As part of the TIF agreement with Montgomery County, the City remits all service payments collected over to the Montgomery County Transportation Improvement District (MCTID). MCTID then pays the associated SIB loan and bond payments due for the current year. Excess TIF moneys above what is needed is maintained by MCTID and is available for use at the direction of the City. However, the expenditures must be approved by Montgomery County and MCTID, therefore these funds are classified as restricted for the City.

Fund Balance

The City reports classifications of fund equity based on the purpose for which resources were received and the level of constraint placed on the resources in the governmental funds:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund 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.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Through the City's purchasing policy, the Council has given the Finance Director the authority to constrain monies for intended purposes, which are reported as assigned fund balance.

Unassigned – Unassigned fund 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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The City considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2018, none of the reported $2.4 million in restricted net position was restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and storm water. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayment from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

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

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). These Changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 establishes standards for measuring and recognizing postemployment benefits liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017.

	Enterprise Funds			Business-Type	Governmental
	Water	Sewer	Stormwater	Activities	Activities
Net Position at December 31, 2017	$ 4,124,069	$ 4,040,713	$ 1,836,979	$ 10,001,761	$ 7,364,518
Adjustments:					
Net OPEB Liability	(87,783)	(140,414)	(13,190)	(241,387)	(1,371,906)
Deferred Outflows - payments subsequent to measurement date	1,371	2,193	206	3,770	15,850
Net Position at December 31, 2017 as restated	$ 4,037,657	$ 3,902,492	$ 1,823,995	$ 9,764,144	$ 6,008,462

NOTE 4 - DEPOSITS AND INVESTMENTS

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, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the City are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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.

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. By Ohio law, financial institutions must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Eligible securities must be pledged to the City and deposited with a qualified trustee as security for repayment whose market value at all time shall be at least 105% of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the carrying amount of the City's deposits was $271,329 and the bank balance was $485,617. At December 31, 2018, $235,617 of the City's bank balance was exposed to custodial credit risk as discussed above.

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the City to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. At year end the City had investments in STAROhio of $5,532,963. STAROhio is rated AAAm by Standard and Poor's and comprises 100% of the City's investments.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of the 2017 taxes.

The 2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2018 real property taxes are collected in and intended to finance operations in the subsequent year.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 16; if paid semi-annually, the first payment is due February 16 and the remainder payable by July 13. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in the subsequent year along with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018 was $18.53 per $1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2018 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	$ 105,488,810
Public Utility Tangible Personal Property Assessed Valuation	1,940,510
Total Assessed Valuation	$ 107,429,320

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility tangible personal property taxes, as well as outstanding delinquencies which are measurable as of December 31, 2018, and for which there is an enforceable legal claim. On the modified accrual basis, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue, while on the modified accrual basis of accounting the revenue has been reported as deferred inflow of resources – unavailable.

NOTE 6 – INCOME TAXES

The City levies a municipal income tax of 1% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City’s current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 7 - CAPITAL ASSETS

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

	Balance 12/31/2017	Additions		Deletions	Balance 12/31/2018
Governmental Activities:					
Non-depreciable capital assets					
Land	$ 1,430,709	-		-	$ 1,430,709
Construction in Progress	67,476	251,372		(96,778)	222,070
Total Non-depreciable capital assets	1,498,185	251,372		(96,778)	1,652,779
Depreciable capital assets					
Buildings	2,422,094	-		-	2,422,094
Equipment	3,524,314	137,021		(8,370)	3,652,965
Infrastructure	2,195,542	39,070		-	2,234,612
Improvements	229,204	-		-	229,204
Vehicles	2,031,401	65,849		(8,000)	2,089,250
Total depreciable capital assets	10,402,555	241,940		(16,370)	10,628,125
Less: accumulated depreciation					
Buildings	(754,579)	(55,434)		-	(810,013)
Equipment	(2,672,829)	(137,242)		8,370	(2,801,701)
Infrastructure	(417,334)	(53,720)		-	(471,054)
Improvements	(49,274)	(8,280)		-	(57,554)
Vehicles	(1,541,286)	(135,105)		6,533	(1,669,858)
Total accumulated depreciation	(5,435,302)	(389,781)	*	14,903	(5,810,180)
Depreciable capital assets, net	4,967,253	(147,841)		(1,467)	4,817,945
Governmental Activities Capital Assets, Net	$ 6,465,438	103,531		(98,245)	$ 6,470,724

* - depreciation expense was allocated to governmental functions as follows:

General Government	$ 223,291
Public Safety	7,744
Transportation	158,746
Total Depreciation Expense	$ 389,781

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 12/31/2017	Additions		Deletions	Balance 12/31/2018
Business-Type Activities:					
Non-depreciable capital assets					
Construction in Progress	$ 164,676	1,954,723		(630,001)	$ 1,489,398
Depreciable capital assets					
Buildings	3,221,382	-		-	3,221,382
Equipment	2,004,458	6,852		(15,000)	1,996,310
Infrastructure	17,190,981	630,001		-	17,820,982
Improvements	31,921	-		-	31,921
Vehicles	197,982	-		-	197,982
Total depreciable capital assets	22,646,724	636,853		(15,000)	23,268,577
Less: accumulated depreciation					
Buildings	(2,644,472)	(56,118)		-	(2,700,590)
Equipment	(952,503)	(97,319)		15,000	(1,034,822)
Infrastructure	(6,723,103)	(350,377)		-	(7,073,480)
Improvements	(5,404)	(722)		-	(6,126)
Vehicles	(130,362)	(12,216)		-	(142,578)
Total accumulated depreciation	(10,455,844)	(516,752)	*	15,000	(10,957,596)
Depreciable capital assets, net	12,190,880	120,101		-	12,310,981
Business-Type Activities Capital Assets, Net	$ 12,355,556	2,074,824		(630,001)	$ 13,800,379

* - depreciation expense was allocated to business-type activities as follows:

Water	$ 205,587
Sewer	225,486
Stormwater	85,679
Total Depreciation Expense	$ 516,752

NOTE 8 - RECEIVABLES

Receivables at December 31, 2018 consisted of taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, TIF, and utility accounts. All receivables are considered fully collectible. Utility accounts receivable at December 31, 2018 were $120,157.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus on the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2018, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $183,097 for 2018. Of this amount, $605 is reported as an intergovernmental payable.

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

City full-time police and firefighters participate in the Ohio Police & 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 (ORC). OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living adjustment (COLA). The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

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

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

	Police	
2018 Statutory Maximum Contribution Rates		
Employer	19.50	%
Employee	12.25	%
2018 Actual Contribution Rates		
Employer:		
Pension	19.00	%
Post-employment Health Care Benefits	0.50	%
Total Employer	19.50	%
Employee	12.25	%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was $79,759 for 2018. Of this amount, $2,604 is reported as an intergovernmental payable.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

	OPERS	OP&F	Total
Proportionate share of the net pension liability	$ 1,627,431	$ 988,243	$ 2,615,674
Proportion of the net pension liability			
Current measurement date	0.010374%	0.016102%	
Prior measurement date	0.009290%	0.015495%	
Change in proportionate share	0.001084%	0.000607%	
Pension expense	$ 396,399	$ 132,728	$ 529,127

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

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Difference between expected and actual experience	$ 1,662	$ 14,995	$ 16,657
Change in assumptions	194,489	43,062	237,551
Change in City's proportionate share and difference in employer contributions	113,428	79,987	193,415
City contributions subsequent to the measurement date	183,097	79,759	262,856
Total	$ 492,676	$ 217,803	$ 710,479
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 32,072	$ 1,786	$ 33,858
Net difference between projected and actual earnings on pension plan investments	349,389	34,185	383,574
Change in City's proportionate share and difference in employer contributions	9,854	10,431	20,285
Total	$ 391,315	$ 46,402	$ 437,717

$262,856 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2019	$ 194,703	$ 39,743	$ 234,446
2020	20,982	30,755	51,737
2021	(153,852)	(4,653)	(158,505)
2022	(143,569)	4,705	(138,864)
2023	-	17,268	17,268
Thereafter	-	3,824	3,824
	$ (81,736)	$ 91,642	$ 9,906

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 in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age
Mortality tables	RP-2014

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

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.50%) and one-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$ 2,889,914	$ 1,627,431	$ 574,912

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Changes between Measurement Date and Report Date. In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by 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 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 determine amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future. Based on the experience study completed as of December 31, 2016, changes in demographic and economic actuarial assumptions were made. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of 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 current and prior measurement dates are as follows:

Valuation date	January 1, 2017 with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016 with actuarial liabilities rolled forward to December 31, 2016
Actuarial assumption experience study date	5-year period ended December 31, 2016	5-year period ended December 31, 2011
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	8.00%	8.25%
Cost-of-living adjustments	3% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3%	3% simple; 2.6% simple for increases based on the lesser of increase in CPI and 3%
Salary increases	3.75% to 10.50%	4.25% to 11.00%
Payroll growth	Inflation rate of 2.75% plus productivity increase rate of 0.5%	Inflation rate of 3.25% plus productivity increase rate of 0.5%

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 Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted and projected with the Conduent Modified 2016 Improvement Scale.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.0%
Domestic equity	16.0%	5.21%
Non-U.S. equity	16.0%	5.40%
Core fixed income*	20.0%	2.37%
Global inflation protected securities*	20.0%	2.33%
High yield	15.0%	4.48%
Real estate	12.0%	5.65%
Private markets	8.0%	7.99%
Real assets	5.0%	6.87%
Master limited partnerships	8.0%	7.36%

Note: Assumptions are geometric. * Levered 2x

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

Discount Rate. The total pension liability was calculated using the discount rate of 8.0%. 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 earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) than the current rate.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 1,369,964	$ 988,243	$ 676,915

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Net OPEB Liability

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

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description—Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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 Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

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

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

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

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

For the year ended December 31, 2018, OPERS did not allocate any employer contributions to postemployment health care.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

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

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

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB. 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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy—The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

The City's contractually required contribution to OP&F was $2,099 for 2018. Of this amount, $69 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportionate share of the net OPEB liability	$ 1,051,000	$ 912,308	$ 1,963,308
Proportion of the net OPEB liability			
Current measurement date	0.009678%	0.016102%	
Prior measurement date	0.008691%	0.015495%	
Change in proportionate share	0.000988%	0.000607%	
OPEB expense	$ 120,387	$ 76,654	$ 197,041

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

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Difference between expected and actual experience	$ 818	$ -	$ 818
Change in assumptions	76,523	89,023	165,546
Change in City's proportionate share and difference in employer contributions	67,509	27,620	95,129
City contributions subsequent to the measurement date	-	2,099	2,099
Total	$ 144,850	$ 118,742	$ 263,592
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ -	$ 4,603	$ 4,603
Net difference between projected and actual earnings on OPEB plan investments	78,292	6,004	84,296
Total	$ 78,292	$ 10,607	$ 88,899

$2,099 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2019	$ 49,680	$ 14,879	$ 64,559
2020	49,680	14,879	64,559
2021	(13,229)	14,879	1,650
2022	(19,573)	14,879	(4,694)
2023	-	16,380	16,380
Thereafter	-	30,140	30,140
	$ 66,558	$ 106,036	$ 172,594

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement date	3.85%
Prior measurement date	4.25%
Investment rate of return	6.50%
Municipal bond rate	3.31%
Health care cost trend rate	7.5% initial, 3.25% ultimate in 2028
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for 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 tables.

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

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

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

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board 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 benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

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

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

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.85%) or 1.0% point higher (4.85%) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$ 1,396,333	$ 1,051,000	$ 771,675

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 1,005,607	$ 1,051,000	$ 1,097,941

Changes between Measurement Date and Report Date. In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement 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.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and 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 calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	Inflation rate of 2.75%, plus productivity increase rate of 0.5%
Single discount rate:	
Current measurement date	3.24%
Prior measurement date	3.79%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

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%.

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

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

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

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) 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 OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a 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 real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.0%
Domestic equity	16.0%	5.21%
Non-U.S. equity	16.0%	5.40%
Core fixed income*	20.0%	2.37%
Global inflation protected securities*	20.0%	2.33%
High yield	15.0%	4.48%
Real estate	12.0%	5.65%
Private markets	8.0%	7.99%
Real assets	5.0%	6.87%
Master limited partnerships	8.0%	7.36%
Total	120.00%	

Note: Assumptions are geometric. * Levered 2x

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

Discount Rate. Total OPEB liability was calculated using the discount rate of 3.24%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to be able to make all future benefit payment of current plan members through 2025. Therefore, a municipal bond rate of 3.16% at December 31, 2017 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 3.24%. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT 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 3.24%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.24%) and 1% point higher (4.24%) than the current discount rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$ 1,140,396	$ 912,308	$ 736,804

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

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.74%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current health care cost trend current rates as outlined in the table above, a 1% decrease in the trend rates and a 1% increase in the trend rates.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 708,697	$ 912,308	$ 1,186,706

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

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation accrual for the City as a whole amounted to $137,820 at December 31, 2018.

Accumulated Unpaid Sick Leave

All hourly employees earn 4.6 hours of sick leave per 80 hours worked. All salaried employees earn sick leave at the rate of 1.25 days per month. Upon qualifying to retire under one of the two pension systems an employee who has unused accumulated sick leave of up to 60 days is eligible to be paid for a portion of these hours. An employee with between 10 and 20 years of service will be paid at a rate of one day's pay for every two days accrued. An employee with over twenty years of service shall receive one day's pay for each day of accumulated sick leave. The total obligation for sick leave accrual for the City as a whole as of December 31, 2018 was $130,686.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2018 the City renewed their contract with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

Type of Coverage	Per Occurrence	Deductible
General Liability	$ 5,000,000	no deductible
Police Liability	5,000,000	$ 2,500
Errors and Omissions	5,000,000	2,500
Automobile	5,000,000	1,000
Property Insurance	10,627,494	1,000
Terrorism	13,178,563	25,000
Inland Marine	10,805,119	1,000
Special Property	1,731,307	1,000
Crime	100,000	1,000
Cyber	250,000	25,000
EDP	106,680	1,000

Settled claims have not exceeded commercial coverage, nor has there been any reduction in coverage amounts, in any of the past five years.

The City joined a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers' compensation rating purposes. The City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries.

NOTE 12 - RISK MANAGEMENT (continued)

For 2018, the City provided employee medical insurance benefits through Anthem Blue Cross & Blue Shield of Ohio. The City covers the employee's premiums and deductibles by budgeting $319,000 for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of $6,000 after the employee pays the first $500. If the money set aside is not depleted, the City places the excess into a savings account. In 2018, the City made no contributions to or withdrawals from the savings account and the account has an approximate balance of $134,000. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

In a prior year, the City entered into a lease agreement to purchase a Vac-Con for the utilities department. This lease meets the criteria to be classified as a capital lease where in both the benefits and risks of ownership were transferred to the lessee.

Capital lease payments have been reclassified and are reflected as debt service in the respective funds instead of the functional expenditures reported on a budgetary basis. The Vac-Con purchased in 2016 has been capitalized on the statement of net position as equipment for $324,900, which is the present value of the total minimum lease payments to be made under the agreement. Principal payments in 2018 for capital leases were $46,507.

The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payments as of December 31, 2018.

Year ending December 31,	Capital Lease Obligation
2019	$ 36,932
2020	36,932
2021	36,932
2022	36,931
2023	36,932
2024-2025	73,864
Total minimum lease payments	258,523
Less: Amount representing interest	(28,161)
Minimum lease payments	$ 230,362

NOTE 14 - LONG-TERM OBLIGATIONS

The City issued general obligation bonds in 2017 to provide financing for a current refunding of the 2007 general obligation bonds associated with the expansion of the fire station, in addition to repaying notes associated with the wastewater system, Old Springfield Rd sewer and the purchase of a fire truck. In addition, the 2017 general obligations bond provided $3.3 million to finance upgrades at the City’s wastewater treatment plant in coming years. The general obligations bonds are currently being paid from the Police Fund, Fire/EMS Fund, and Sewer Fund.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The changes in the City's long-term obligations for the year consist of the following:

	Restated Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018	Amount Due In One Year
Governmental Activities:					
General Obligation Bonds	$ 875,000	$ -	$ (100,000)	$ 775,000	$ 100,000
Bond Premiums	30,041	-	(3,029)	27,012	-
Capital lease obligation	14,587	-	(14,587)	-	-
Compensated Absences	140,318	49,975	(22,450)	167,843	26,850
Net Pension Liability:					
OPERS	1,450,344	-	(302,280)	1,148,064	-
OP&F	981,459	6,784	-	988,243	-
Net OPEB Liability:					
OPERS	636,377	108,580	-	744,957	-
OP&F	735,529	176,779	-	912,308	-
Total governmental activities	$ 4,863,655	$ 342,118	$ (442,346)	$ 4,763,427	$ 126,850
Business-type Activities:					
General Obligation Bonds	$ 3,945,000	$ -	$ (90,000)	$ 3,855,000	$ 225,000
Bond Premiums	217,162	-	(10,904)	206,258	-
OPWC Loans	2,264,051	516,263	(121,567)	2,658,747	138,778
Capital lease obligation	262,282	-	(31,920)	230,362	30,092
Compensated Absences	121,035	23,802	(44,174)	100,663	50,298
Net Pension Liability:					
OPERS	659,366	-	(179,999)	479,367	-
Net OPEB Liability:					
OPERS	241,387	64,656	-	306,043	-
Total business-type activities	$ 7,710,283	$ 604,721	$ (478,564)	$ 7,836,440	$ 444,168

The City’s future debt service requirements (principal and interest) for the general obligation bonds are as follows:

	Governmental Activities		Business-Type Activities	
Year	Principal	Interest	Principal	Interest
2019	$ 100,000	$ 20,100	$ 225,000	$ 123,100
2020	105,000	18,100	230,000	118,600
2021	110,000	16,000	235,000	114,000
2022	70,000	13,800	240,000	109,300
2023	75,000	11,700	185,000	102,100
2024-2028	315,000	24,150	955,000	424,250
2029-2033	-	-	915,000	280,175
2034-2037	-	-	870,000	88,600
Total	$ 775,000	$ 103,850	$ 3,855,000	$ 1,360,125

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The City has obtained interest free loans through the Ohio Public Works Commission over the past several years for various utility projects as listed below:

Project	Year of Loan	Original Loan Amount	Year of Maturity	Debt Service Made From
Rhinehart Rd Sanitary Pump Station	2008	$ 279,273	2023	Sewer Fund
Phillipsburg-Union Rd. Sanitary Sewer	2008	496,822	2028	Sewer Fund
Sanitary Sewer Lagoon Aeration	2011	144,721	2041	Sewer Fund
Water Tower Construction	2010	1,405,000	2040	Water Fund
Shaw Rd Water Tank Recoating	2011	407,744	2031	Water Fund
Hawker Street Water Main Replacement	2014	87,914	2044	Water Fund
W. Martindale Water Main Replacement Phase I	2015	259,444	2046	Water Fund
W. Martindale Water Main Replacement Phase II	2018	295,351	2048	Water Fund
W. Martindale Water Main Replacement Phase III	2018	220,912	2048	Water Fund
Concord West Channel Rehabilitation	2012	50,000	2042	Storm Water Fund
Storm Sewer Lateral and Basin - Phase 1	2015	149,397	2045	Storm Water Fund

The City's future debt service payments for the interest free OPWC loans are as follows:

Business-Type Activities			
Year	Principal	Year	Principal
2019	$ 138,778	2024-2028	661,601
2020	138,777	2029-2033	496,618
2021	138,779	2034-2038	435,457
2022	138,779	2039-2043	257,816
2023	135,548	2044-2048	116,594
		Total	$ 2,658,747

The City pays obligations related to employee compensation (compensated absences as well as pension and OPEB plan contributions) from the fund benefitting from their service.

NOTE 15 - INTERFUND TRANSFERS AND BALANCES

The City had the following transfers during 2018:

Transfer from Fund	Transfer to Fund	Amount
General	Police Fund	$ 63,000
	Fire/EMS Fund	162,500
	Other Governmental	73,099
Police	Other Governmental	17,962
Fire/EMS	Other Governmental	93,711
Other Governmental	Sewer Fund	114,010
		$ 524,282

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the general fund are to provide additional resources for current operations as well as for debt service. The transfers from the Police and Fire/EMS funds were made to nonmajor bond retirement fund for debt service. The transfer from the nonmajor bond retirement fund to the sewer enterprise fund represents the payment of interest on sewer related debt in 2018 by the bond retirement fund from the proceeds of the capitalized interest posted to the bond retirement fund when the 2017 bonds were issued.

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2018 to December 31, 2018 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 – COMMITMENTS

Economic Development Commitment

In September 2013, the City entered into a Financing and Implementation Agreement with the Montgomery County Transportation Improvement District (MCTID) to construct a new roadway for, as well as to provide necessary utilities to, the Global Logistics Air Park intended to support current and future development within the industrial park. Financing for this project was provided by the City, through a State Infrastructure Bank (SIB) loan obtained through the Montgomery County Port Authority, and grants provided by Montgomery County and the State of Ohio. Total estimated cost for the entire project was estimated to be $13.2 million. The MCTID is responsible for the management and financial accounting associated with the project until deemed completed. At that point, the MCTID will transfer the project assets out of its construction in progress and transfer the completed assets to the City.

As of December 31, 2018 the Montgomery County Port Authority had a balance of $9.8 million in SIB loan and private purpose bonds issued on behalf of the City to pay for construction costs to date, after the City paid $1.2 million during year against the liability. In accordance with the terms of the SIB loan, the amortization schedule will not be sent and subsequent payment will not be due, until the project is completed and the infrastructure has been deeded over to the City. The private purpose bonds require the City to transfer TIF revenue resulting from the project to the MCTID for payments due on those bonds. As such, the City has reported the $9.8 million currently owed for this project at the end of 2018 as an intergovernmental payable with an offsetting deferred outflow of resources representing amounts are currently due for payment.

Contractual Commitment

The City is in the process of updating and expanding the waste water treatment plant. As of December 31, 2018, there were $1,256,275 of contractual commitments remaining associated with this project.

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of the encumbrances outstanding was as follows:

General Fund	$	10,000
Other Governmental Funds		4,253
Water Fund		473
Sewer Fund		1,256,748
Stormwater Fund		2,127
	$	1,273,601

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST FIVE YEARS (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0096260%	$ 1,134,780	$ 1,023,046	110.92%	86.36%
2015	0.0096260%	1,161,003	1,180,200	98.37%	86.45%
2016	0.0095600%	1,655,921	1,189,842	139.17%	81.08%
2017	0.0092900%	2,109,710	1,256,617	167.89%	77.25%
2018	0.0103737%	1,627,431	1,370,892	118.71%	84.66%

(1) Information prior to 2014 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year peirod ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND

LAST FIVE YEARS (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0145403%	$ 708,158	$ 343,314	206.27%	73.00%
2015	0.0145403%	753,245	298,870	252.03%	71.71%
2016	0.0140740%	905,390	301,309	300.49%	66.77%
2017	0.0154953%	981,459	382,000	256.93%	68.36%
2018	0.0161018%	988,243	419,784	235.42%	70.91%

(1) Information prior to 2014 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year peirod ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST SIX YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 132,996	$ (132,996)	$ -	$ 1,023,046	13.00%
2014	141,624	(141,624)	-	1,180,200	12.00%
2015	142,781	(142,781)	-	1,189,842	12.00%
2016	150,794	(150,794)	-	1,256,617	12.00%
2017	178,216	(178,216)	-	1,370,892	13.00%
2018	183,097	(183,097)	-	1,307,836	14.00%

(1) Information prior to 2013 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

LAST SIX YEARS

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 58,638	$ (58,638)	$ -	$ 343,314	17.08%
2014	60,850	(60,850)	-	298,870	20.36%
2015	60,533	(60,533)	-	301,309	20.09%
2016	74,490	(74,490)	-	382,000	19.50%
2017	70,294	(70,294)	-	369,968	19.00%
2018	79,759	(79,759)	-	419,784	19.00%

(1) Information prior to 2013 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST TWO YEARS (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0086904%	$ 877,764	$ 1,256,617	69.85%	54.05%
2018	0.0096784%	1,051,000	1,370,892	76.67%	54.14%

(1) Information prior to 2017 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION PLAN

LAST TWO YEARS (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0154953%	$ 735,529	$ 382,000	192.55%	15.96%
2018	0.0161018%	912,308	369,968	246.59%	14.13%

(1) Information prior to 2017 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST FOUR YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 23,797	$ (23,797)	$ -	$ 1,189,842	2.00%
2016	25,133	(25,133)	-	1,256,617	2.00%
2017	13,709	(13,709)	-	1,370,892	1.00%
2018	-	-	-	1,307,836	0.00%

(1) Information prior to 2015 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

LAST FOUR YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 1,552	$ (1,552)	$ -	$ 301,309	0.52%
2016	1,967	(1,967)	-	382,000	0.51%
2017	1,954	(1,954)	-	369,968	0.53%
2018	2,099	(2,099)	-	419,784	0.50%

(1) Information prior to 2015 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	$ 182,900	182,900	170,282	(12,618)
Municipal Income Taxes	1,100,000	1,100,000	1,099,736	(264)
Intergovernmental Revenue	99,100	184,254	185,892	1,638
Charges for Services	-	-	45,204	45,204
Fines, Licenses and Permits	122,700	122,700	135,276	12,576
Investment Income	1,000	17,750	15,381	(2,369)
Other Revenue	70,000	102,000	207,358	105,358
Total Revenues	1,575,700	1,709,604	1,859,129	149,525
Expenditures:				
Current:				
General Government	1,110,024	1,044,861	1,212,482	(167,621)
Capital Outlay	789,176	578,960	175,353	403,607
Total Expenditures	1,899,200	1,623,821	1,387,835	235,986
Excess of Revenues Over (Under) Expenditures	(323,500)	85,783	471,294	385,511
Other Financing Sources (Uses):				
Transfers Out	(223,500)	(630,879)	(376,599)	254,280
Total Other Financing Sources (Uses)	(223,500)	(630,879)	(376,599)	254,280
Net Change in Fund Balance	(547,000)	(545,096)	94,695	639,791
Fund Balance, Beginning of Year	808,074	808,074	808,074	-
Fund Balance, End of Year	$ 261,074	262,978	902,769	639,791

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2018

		Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:					
Property Taxes	$	756,000	756,000	756,103	103
Intergovernmental Revenue		126,000	126,000	134,529	8,529
Investment Income		500	500	3,629	3,129
Other Revenue		-	-	15,082	15,082
Total Revenues		882,500	882,500	909,343	26,843
Expenditures:					
Current:					
Security of Persons and Property		928,746	948,746	904,645	44,101
Capital Outlay		691	3,691	3,315	376
Debt Service:					
Principal		17,000	-	-	-
Interest		4,063	-	-	-
Total Expenditures		950,500	952,437	907,960	44,477
Excess of Revenues Over (Under) Expenditures		(68,000)	(69,937)	1,383	71,320
Other Financing Sources (Uses):					
Transfers In		63,000	63,000	63,000	-
Transfers Out		-	(18,063)	(17,962)	101
Total Other Financing Sources (Uses)		63,000	44,937	45,038	101
Net Change in Fund Balance		(5,000)	(25,000)	46,421	71,421
Fund Balance, Beginning of Year		53,058	53,058	53,058	-
Fund Balance, End of Year	$	48,058	28,058	99,479	71,421

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire/EMS Fund
For the Year Ended December 31, 2018

		Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:					
Property Taxes	$	430,000	394,766	403,728	8,962
Intergovernmental Revenue		67,000	67,000	67,726	726
Charges for Services		185,000	185,000	151,497	(33,503)
Investment Income		100	100	1,386	1,286
Other Revenue		-	-	8,846	8,846
Total Revenues		682,100	646,866	633,183	(13,683)
Expenditures:					
Current:					
Security of Persons and Property		635,703	687,268	652,928	34,340
Capital Outlay		27,799	31,000	30,966	34
Debt Service:					
Principal		83,000	-	-	-
Interest		18,098	-	-	-
Total Expenditures		764,600	718,268	683,894	34,374
Excess of Revenues Over (Under) Expenditures		(82,500)	(71,402)	(50,711)	20,691
Other Financing Sources (Uses):					
Transfers In		74,500	162,500	162,500	-
Transfers Out		-	(99,098)	(93,711)	5,387
Total Other Financing Sources (Uses)		74,500	63,402	68,789	5,387
Net Change in Fund Balance		(8,000)	(8,000)	18,078	26,078
Fund Balance, Beginning of Year		28,271	28,271	28,271	-
Fund Balance, End of Year	$	20,271	20,271	46,349	26,078

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
TIF Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
TIF Service Payments	$ 1,786,100	1,789,953	1,789,953	-
Investment Income	-	-	1,325	1,325
Total Revenues	1,786,100	1,789,953	1,791,278	1,325
Expenditures:				
Current:				
General Government	1,786,100	1,789,953	1,789,953	-
Total Expenditures	1,786,100	1,789,953	1,789,953	-
Net Change in Fund Balance	-	-	1,325	1,325
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	-	1,325	1,325

See accompanying notes to the required supplementary information.

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

All funds, except for agency funds, are legally required to be budgeted and appropriated before any expenditure may be made out of the respective funds. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, 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 Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by the Council at the object level for all funds.

Appropriations may be allocated within each department and sub-object level within each fund. Council must approve any revisions that alter total fund or object level appropriations.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate at the time final appropriations were adopted.

The appropriation resolution is subject to amendment by Council throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covers the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Budget to GAAP Reconciliation

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis), presented for the general fund and each major special revenue fund is presented on the budgetary basis to provide meaningful comparisons of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

BUDGETARY BASIS OF ACCOUNTING (continued)

4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis). In addition, the refuse fund recognized a capital lease in the GAAP statements which did not provide resources on the budgetary statements.

5. The Parks and Recreation fund is combined with the General Fund for reporting purposes as it has no restricted or committed revenue sources, however, it is legally required to have a separate budget adopted and therefore not combined with the General Fund on the budget basis. In addition, the City has funds held on deposit with the Montgomery County Transportation Improvement District which are restricted to certain improvements within the City's TIF area. As these resources are not within the control of the City, they are not accounted for within the annual budget of the TIF Fund.

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Excess (Deficiency) of Revenues and Other
Financing Sources Over (Under)
Expenditures and Other Financing Uses
General Fund and Major Special Revenue Funds

	General	Police	Fire/EMS	TIF
GAAP Basis	$ 71,715	$ 55,138	$ 14,795	$ 60,523
Revenue Accruals	171,775	855	(1,285)	-
Expenditure Accruals	(134,769)	(9,572)	4,568	-
Encumbrances	(10,000)	-	-	-
Budgeting Differences	(4,026)	-	-	(59,198)
Budget Basis	$ 94,695	$ 46,421	$ 18,078	$ 1,325

CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of City Council
City of Union, Ohio
118 North Main Street
Union, Ohio 45322

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 19, 2019, wherein we noted the City adopted the provisions of GASB Statement No. 75.

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

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

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

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 19, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF UNION

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 15, 2019