City of Union
Montgomery County, Ohio

Basic Financial Statements

For Year Ended December 31, 2019

with Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

August 31, 2020

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019, 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.

Subsequent Event Footnote
As discussed in Note 18 to the financial statements, the financial impact of COVID-19 pandemic and the ensuing emergency measures will impact subsequent periods of the City. 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 July 17, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
July 17, 2020

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, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 are as follows:

- Governmental activities reported a change in net position of $3.9 million; a decrease of 64.0 percent compared to the prior year.
- Business-type activities reported a change in net position of $5.3 million; an increase of 53.8 percent during 2019.
- The General Fund reported a fund balance of $1.4 million which was an increase of $327,124 from the fund balance reported at the end of the prior year.
- During 2019, the City recognized infrastructure improvements associated with the development of the Global Logistics Air Park, which started in 2013. The City and the Montgomery County Transportation Improvement District (MCTID) worked together to ensure the success of this project. Financing for this project was provided by the Montgomery County Port Authority which through private purpose bonds and a State Infrastructure Bank (SIB) loan. The City, in return, transfers all TIF revenue resulting from the project to the MCTID for payments on the debt issued. As such the City, at December 31, 2019 recorded the following; capital asset totaling $8.7 million, long-term intergovernmental commitment liability of $8.6 million, and capital contribution for the difference. Water, sewer and storm water infrastructure assets of $759,407, $646,903, and $3.3 million were transferred concurrently to the appropriate enterprise funds by the TIF fund. The remaining $4.0 million of infrastructure relates to the roadway and remained in the governmental activities.

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 2019?"

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, 2019 as compared to the amounts for the year ended December 31, 2018.

TABLE 1
Statement of Net Position, December 31

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets:						
Current and Other Assets	$ 8,209,229	1,971,201	10,180,430	7,819,562	3,803,794	11,623,356
Capital Assets	10,581,121	20,733,386	31,314,507	6,470,724	13,800,379	20,271,103
Total Assets	18,790,350	22,704,587	41,494,937	14,290,286	17,604,173	31,894,459
Deferred Outflows of Resources	1,327,387	301,438	1,628,825	10,611,988	187,673	10,799,661
Liabilities:						
Current and Other Liabilities	72,834	13,922	86,756	9,895,161	13,094	9,908,255
Long-term Liabilities	13,815,504	7,893,297	21,708,801	4,763,427	7,836,440	12,599,867
Total Liabilities	13,888,338	7,907,219	21,795,557	14,658,588	7,849,534	22,508,122
Deferred Inflows of Resources	4,057,551	77,274	4,134,825	4,205,661	174,268	4,379,929
Net Position:						
Net Investment in Capital Assets	5,750,121	14,105,553	19,855,674	5,668,712	8,801,322	14,470,034
Restricted	1,945,003	-	1,945,003	2,449,662	-	2,449,662
Unrestricted	(5,523,276)	915,979	(4,607,297)	(2,080,349)	966,722	(1,113,627)
Total Net Position	$ 2,171,848	15,021,532	17,193,380	6,038,025	9,768,044	15,806,069

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27" and the net other postemployment benefits (OPEB) is reported in accordance with GASB Statement 75, "Accounting and Financial

Reporting for Postemployment Benefits Other Than Pensions". These two Standards significantly revised the accounting for costs and liabilities related to pension and OPEB plans for employers. 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 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.

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, 2019 the City's overall net position was $17.2 million. Of this amount, $19.9 million was invested in capital assets, net of related debt. The significant increase in net investment in capital assets reported for 2019 compared to 2018 was the recognition of the infrastructure assets from the MCTID related to the Global Logistics Air Park development during the year. The unrestricted deficit in net position reported for governmental activities resulted from the portion of the intergovernmental commitment liability in excess of the assets reported in the governmental activities, as well as the effects of the net pension and OPEB liabilities at year-end. The effects of the intergovernmental commitment on unrestricted net position was $4.5 million while net pension and OPEB liabilities accounted for another $3.1 million reduction to unrestricted net position for governmental activities.

Governmental activities reported a 5.0 percent increase in current assets at the end of 2019 compared one year prior. This increase was the result of a $266,379 increase in cash and equivalents and a $133,570 increase in receivables. Pooled cash and cash equivalents increased due to conservative budgeting of the resources available. Restricted cash with fiscal agent, money held by the MCTID, decreased due to certain infrastructure projects completed during 2019. Receivables increased due to higher estimates for income taxes receivable. Long-term capital assets for the City increased during the year for the reasons noted in the preceding paragraph.

Current liabilities of the governmental activities decreased by 99.3 percent during 2019 due primarily to the City eliminating the fund liability associated with the development project and reporting it long-term. The $9.8 million decrease in current liabilities was nearly offset by the $9.1 increase in long-term liabilities due to recognizing the long-term intergovernmental commitment plus the increase in the overall net pension liabilities.

Total assets of the business-type activities increased by 29.0 percent compared to those reported for 2018. The decrease in pooled cash and cash equivalents was offset by an increase in capital assets during the year as the City recorded several significant infrastructure projects during the year. As part of the transfer of the Global Logistics Air Park project from MCTID to the City, $4.7 million of utility infrastructure assets were recognized in the business-type activities for the year. In addition, the City continued the improvement project at the waste water treatment plant during the year which increased construction in progress by $2.2 million compared to the prior year. 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, 2019 as compared to fiscal year ended December 31, 2018.

TABLE 2
Change in Net Position

		Governmental Activities		Business-type Activities		Total	
		2019	**2018**	**2019**	**2018**	**2019**	**2018**
REVENUES:							
Program Revenues:							
Charges for Services	$	1,363,610	1,260,521	1,825,607	1,702,567	3,189,217	2,963,088
Operating Grants and Contributions		743,101	801,861	-	-	743,101	801,861
Capital Grants and Contributions		138,637	70,000	62,200	71,837	200,837	141,837
General Revenues:							
Income Taxes		1,304,663	1,066,136	-	-	1,304,663	1,066,136
Property Taxes		2,144,158	1,605,200	-	-	2,144,158	1,605,200
TIF Service Payments		1,895,619	1,789,953	-	-	1,895,619	1,789,953
Grants and Contributions not Restricted		121,141	107,635	-	-	121,141	107,635
Investment Income		67,454	47,511	55,608	79,653	123,062	127,164
Other Revenue		135,556	116,510	24,971	24,504	160,527	141,014
Transfers		(5,101,119)	(114,010)	5,101,119	114,010	-	-
Total Revenue		2,812,820	6,751,317	7,069,505	1,992,571	9,882,325	8,743,888
EXPENSES:							
General Government		1,587,544	3,175,214	-	-	1,587,544	3,175,214
Security of Persons and Property		1,564,377	2,101,599	-	-	1,564,377	2,101,599
Public Health Services		20,030	14,235	-	-	20,030	14,235
Transportation		1,085,584	707,793	-	-	1,085,584	707,793
Economic Development		1,648,833	-	-	-	1,648,833	-
Community Environment		656,209	612,380	-	-	656,209	612,380
Leisure Time Activities		99,516	91,222	-	-	99,516	91,222
Water		-	-	737,323	679,249	737,323	679,249
Sewer		-	-	877,804	1,096,048	877,804	1,096,048
Stormwater		-	-	200,890	213,374	200,890	213,374
Interest Expense		16,904	19,311	-	-	16,904	19,311
Total Expenses		6,678,997	6,721,754	1,816,017	1,988,671	8,495,014	8,710,425
Change in Net Position		(3,866,177)	29,563	5,253,488	3,900	1,387,311	33,463
Net Position, Beginning of Year		6,038,025	6,008,462	9,768,044	9,764,144	15,806,069	15,772,606
Net Position, End of Year	$	2,171,848	6,038,025	15,021,532	9,768,044	17,193,380	15,806,069

Governmental Activities

Total governmental activities revenue (excluding transfers) increased by $1.0 million for 2019 compared with those of the prior year as income tax revenue increased as the economic conditions in the surrounding area improved during the year. Property tax revenues for 2019 increased significantly due to the two separate property tax levies approved by voters during 2018 with collections of these additional taxes starting January 1, 2019. Both levies were 2.5 mills, with one restricted to police department operations and the other to fire and emergency medical services (EMS) operations. TIF service revenue continued to increase due to continued growth for the businesses within the development area.

Total expenses of governmental activities decreased by less than one percent compared to those reported in 2018. While the City did approve employee pay increase, and related benefits, the overall expenses decreased due to the negative expense recorded in recognizing the net OPEB liability for the year, as previously mentioned. For comparison, in 2018 the City recognized an additional $514,439 of total pension and OPEB expense and in 2019 the expense adjustment was a negative $62,413, a swing in expense of $576,852.

The largest change in individual functional expenses were reported for general government and economic development categories. This occurred as the City created the economic development function during the current year to account for various economic development activity within the City, including the Global Logistics Air Park project. In previous years, these expenses were reported in the general government function. If those two functions are added together for 2019, the increase over 2018 expenses is $61,163, or 1.9 percent. While the security of persons and property function represents the next largest functional expense within governmental activities, it reported a $537,222 decrease compared with 2018 expenses due to the negative OPEB expense related to activity of the Ohio Police & Fire (OP&F) pension fund. Starting in 2019, OP&F moved to a stipend-based healthcare model as opposed to a self-insured group plan. This dramatically reduced the net OPEB liability and resulted in negative OPEB expense adjustments for the year. The transportation functional expense increased $377,791 over the prior year as the City increased and expedited roadway maintenance projects due to increased resources available through the new income tax levy, approved by voters in November 2019, as well as the additional state gas tax implemented in July 2019.

Business-Type Activities

Overall, the City's business-type activities generated $1.9 million in program revenues for 2019 compared with $1.8 million in 2018. Increase in charges for service accounts for the increased program revenues as water and sewer rates, as well as usage, increased during 2019. The most significant change was the $5.1 million transfer of capital assets from the TIF project (governmental activities) to the City's utility funds (business-type activities). The $4.7 million of infrastructure associated with the Global Logistics Air Park project breaks down into $759,407, $646,903, and $3.3 million of capital assets for the water, sewer, and storm water utilities. Another capital related project accounts for the remainder of the transfers-in reported for 2019. During the year, the City utilized the resources held by the MCTID (restricted cash with fiscal agent) reported within the governmental activities to finance upgrading the water and sewer infrastructure along Old Springfield Road, east of the development area.

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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

		2019		2018	
		Total Cost of Service	**Net Cost of Service**	**Total Cost of Service**	**Net Cost of Service**
GOVERNMENTAL ACTIVITIES:					
General Government	$	1,587,544	(1,381,419)	3,175,214	(2,876,521)
Security of Persons and Property		1,564,377	(742,895)	2,101,599	(1,387,132)
Public Health Services		20,030	(14,568)	14,235	(7,549)
Transportation		1,085,584	(487,461)	707,793	(202,288)
Economic Development		1,648,833	(1,648,833)	-	-
Community Environment		656,209	(42,729)	612,380	(7,249)
Leisure Time Activities		99,516	(98,840)	91,222	(89,322)
Interest Expense		16,904	(16,904)	19,311	(19,311)
Total Expenses	$	6,678,997	(4,433,649)	6,721,754	(4,589,372)
BUSINESS-TYPE ACTIVITIES:					
Water	$	737,323	(64,212)	679,249	4,966
Sewer		877,804	198,377	1,096,048	(143,529)
Stormwater		200,890	(62,375)	213,374	(75,704)
Total Expenses	$	1,816,017	71,790	1,988,671	(214,267)

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, 2019, the City's governmental funds reported revenues and other financing sources of \$8.0 million and expenditures and other financing uses of \$7.7 million, with combined fund balances amounting to \$3.1 million. Of the \$3.1 million fund balance, \$1.7 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, 2019, the unassigned fund balance of the General Fund was reported at \$492,616, an increase from the \$263,358 reported at the end of the prior year. The increase in unassigned fund balance resulted primarily from the additional income tax revenue as well as the decrease in transfers-out reported for 2019. Expenditures and other financing uses of the General Fund decreased by 5.8 percent compared with those reported in the prior year primarily due to the decrease in transfer-out.

The Police and Fire/EMS Funds rely on property tax levies to fund operations and budgets are adopted based on anticipated tax revenues. Revenue and expenditures increased due to the additional public safety property tax revenue which started to be collected in 2019. The additional revenues allowed the transfers from the general fund to be eliminated for the current year. All of the significant activities occurring in the TIF fund have been disclosed 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 $473,063, $425,664 and $17,252 for the water, sewer and stormwater funds, respectively. The changes in net position for the water, sewer and stormwater funds were increases of $734,220, $1.3 million and $3.2 million, respectively. Total operating expenses for all proprietary funds were $1.7 million which were $128,251 more than the operating revenues reported. Ending unrestricted net position as of December 31, 2019 was 64.4%, 55.7%, and 8.7% of the operating expenses reported for the water, sewer and stormwater operations, respectively. During 2019, the City's utilities saw revenue growth through an increase in rates and demand as well as increased industrial development. Utility expenses decreased during the year due less repair and maintenance projects necessary.

General Fund Budgeting Highlights
For the General Fund, actual budget basis revenue was $1.9 million which was $279,610 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to additional income tax and intergovernmental revenues received during 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 $1.6 million which were $799,437 less than original expenditure budget estimates. Anticipated expenditures within the City's budget for the general fund did not increase during the year.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2019, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling $10.6 million and $20.7 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2019 balances compared to December 31, 2018 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

		2019			2018		
		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		412,204	3,711,191	4,123,395	222,070	1,489,398	1,711,468
Infrastructure		6,241,234	22,952,770	29,194,004	2,234,612	17,820,982	20,055,594
Buildings		2,445,079	3,231,329	5,676,408	2,422,094	3,221,382	5,643,476
Improvements		272,932	31,921	304,853	229,204	31,921	261,125
Equipment		3,864,111	2,092,609	5,956,720	3,652,965	1,996,310	5,649,275
Vehicles		2,096,331	197,982	2,294,313	2,089,250	197,982	2,287,232
Less: Accumulated Depreciation		(6,181,479)	(11,484,416)	(17,665,895)	(5,810,180)	(10,957,596)	(16,767,776)
Totals	$	10,581,121	20,733,386	31,314,507	6,470,724	13,800,379	20,271,103

Overall, the net capital assets increased by $11.0 million (54.5%), from those reported one year prior due to recognizing the infrastructure assets associated with the Global Logistics Air Park project from the MCTID ($8.7 million) previously discussed, the on-going improvement project at the wastewater treatment plant improvement ($2.2 million), and the $403,065 of water and sewer infrastructure improvements along Old Springfield Road paid by TIF funds held by the MCTID. Depreciation expense for the year was $371,299 for governmental activities and $526,820 for business-type activities.

LONG-TERM DEBT AND COMMITMENTS

At December 31, 2019 the City's governmental activities reported total long-term debt and commitment obligations of $9.4 million compared to the $802,012 reported one year prior. The addition of the $8.6 million intergovernmental commitment associated with the Global Logistics Air Park project accounts for the majority of the increase. The City also entered a capital lease obligation during the year which was offset by current year payments of principal amounts. Governmental activities G.O. bonds were issued for the expansion of the public safety facilities within the City. Approximately $1.4 million of governmental activities debt and commitment obligations will be due for payment within the next year.

The City's long-term obligations of business-type activities at December 31, 2019 consisted of one general obligation bond issue of $3.8 million; capital lease obligations of $239,867; and several loans through the Ohio Public Works Commission (OPWC) totaling $2.6 million. Principal payments during the year reduced business-type activities debt obligations by $399,154 while additional debt (an OPWC loan and a capital lease) of $87,524 was recorded during the year. All 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 the long-term debt and commitment 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, 2019

		Governmental Activities	Business-Type Activities	Total
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	$	2,544,024	1,831,277	4,375,301
Receivables:				
Taxes		2,350,966	-	2,350,966
Accounts		163,017	135,334	298,351
Special Assessments		410,768	-	410,768
TIF		1,879,752	-	1,879,752
Intergovernmental		414,732	-	414,732
Prepaid Items		9,770	1,752	11,522
Materials and Supplies Inventory		35,119	2,838	37,957
Restricted Cash with Fiscal Agent		401,081	-	401,081
Capital Assets:				
Capital assets not subject to depreciation:				
Land		1,430,709	-	1,430,709
Construction in Progress		412,204	3,711,191	4,123,395
Capital assets, net of accumulated depreciation		8,738,208	17,022,195	25,760,403
Total Assets		18,790,350	22,704,587	41,494,937
DEFERRED OUTFLOWS OF RESOURCES:				
Pension and OPEB		1,327,387	301,438	1,628,825
Total Deferred Outflows of Resources		1,327,387	301,438	1,628,825
LIABILITIES:				
Accounts Payable		46,843	1,250	48,093
Accrued Wages and Benefits		20,312	2,447	22,759
Due to Other Governments		4,171	342	4,513
Accrued Interest Payable		1,508	9,883	11,391
Noncurrent Liabilities:				
Due Within One Year		1,504,707	441,824	1,946,531
Due In More Than One Year:				
Net OPEB Liability		987,801	345,832	1,333,633
Net Pension Liability		3,252,233	806,637	4,058,870
Other		8,070,763	6,299,004	14,369,767
Total Liabilities		13,888,338	7,907,219	21,795,557
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes		2,032,616	-	2,032,616
TIF		1,879,752	-	1,879,752
Pension and OPEB		145,183	77,274	222,457
Total Deferred Inflows of Resources		4,057,551	77,274	4,134,825
NET POSITION:				
Net Investment in Capital Assets		5,750,121	14,105,553	19,855,674
Restricted for:				
Public Safety Services		563,273	-	563,273
Transportation		728,402	-	728,402
Street Lights		631,152	-	631,152
Other Purposes		22,176	-	22,176
Unrestricted		(5,523,276)	915,979	(4,607,297)
Total Net Position	$	2,171,848	15,021,532	17,193,380

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2019

		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	$ 1,564,377	596,062	225,420	-	(742,895)		(742,895)
Public Health Services	20,030	5,462	-	-	(14,568)		(14,568)
Leisure Time Activities	99,516	676	-	-	(98,840)		(98,840)
Community Environment	656,209	613,480	-	-	(42,729)		(42,729)
Transportation	1,085,584	-	459,486	138,637	(487,461)		(487,461)
Economic Development	1,648,833	-	-	-	(1,648,833)		(1,648,833)
General Government	1,587,544	147,930	58,195	-	(1,381,419)		(1,381,419)
Interest and Fiscal Charges	16,904	-	-	-	(16,904)		(16,904)
Total Governmental Activities	6,678,997	1,363,610	743,101	138,637	(4,433,649)		(4,433,649)
Business-Type Activities:							
Water	737,323	610,911	-	62,200		(64,212)	(64,212)
Sewer	877,804	1,076,181	-	-		198,377	198,377
Stormwater	200,890	138,515	-	-		(62,375)	(62,375)
Total Business-Type Activities	1,816,017	1,825,607	-	62,200		71,790	71,790
Total	$ 8,495,014	3,189,217	743,101	200,837	(4,433,649)	71,790	(4,361,859)
General Revenues and Transfers:							
Taxes:							
Income Taxes for General Operations					1,304,663	-	1,304,663
Property Taxes, Levied for:							
General Operations					171,847	-	171,847
Security of Persons and Property					1,726,612	-	1,726,612
Transportation					245,699	-	245,699
TIF Service Payments					1,895,619	-	1,895,619
Grants and Contributions not Restricted to Specific Programs					121,141	-	121,141
Investment Income					67,454	55,608	123,062
Other Revenue					135,556	24,971	160,527
Transfers					(5,101,119)	5,101,119	-
Total General Revenues and Transfers					567,472	5,181,698	5,749,170
Change in Net Position					(3,866,177)	5,253,488	1,387,311
Net Position, Beginning of Year					6,038,025	9,768,044	15,806,069
Net Position, End of Year					$ 2,171,848	15,021,532	17,193,380

See accompanying notes to the basic financial statements.

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CITY OF UNION
MONTGOMERY COUNTY, OHIO
Balance Sheet
Governmental Funds
December 31, 2019

		General Fund	Police Fund	Fire/EMS Fund	TIF Fund
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	$	1,269,742	176,431	204,551	1,355
Receivables:					
Taxes		456,627	986,267	645,046	-
Accounts		19,359	-	91,559	-
Special Assessments		34,392	-	-	-
TIF		-	-	-	1,879,752
Intergovernmental		57,410	88,155	39,110	-
Prepaid Items		7,977	1,209	-	-
Materials and Supplies Inventory		8,305	-	360	-
Restricted Cash with Fiscal Agent		-	-	-	401,081
Total Assets	$	1,853,812	1,252,062	980,626	2,282,188
LIABILITIES:					
Accounts Payable	$	145	-	-	-
Accrued Wages and Benefits		3,934	4,550	10,758	-
Due to Other Governments		551	887	2,582	-
Total Liabilities		4,630	5,437	13,340	-
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes		162,446	973,656	636,941	-
TIF		-	-	-	1,879,752
Unavailable Revenue		324,062	100,766	136,008	-
Total Deferred Inflows of Resources		486,508	1,074,422	772,949	1,879,752
FUND BALANCES:					
Nonspendable:					
Prepaid Items		7,977	1,209	-	-
Material and Supplies Inventory		8,305	-	360	-
Restricted:					
Security of Person and Property		-	170,994	193,977	-
Street Repair and Maintenance		-	-	-	-
Street Lighting		-	-	-	-
Economic Development		-	-	-	402,436
Debt Service		-	-	-	-
Other		-	-	-	-
Committed:					
Community Environment		-	-	-	-
Assigned:					
Recreation Programs		27,776	-	-	-
Subsequent Appropriations		826,000	-	-	-
Unassigned		492,616	-	-	-
Total Fund Balances		1,362,674	172,203	194,337	402,436
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$	1,853,812	1,252,062	980,626	2,282,188

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
891,945	2,544,024
263,026	2,350,966
52,099	163,017
376,376	410,768
-	1,879,752
230,057	414,732
584	9,770
26,454	35,119
-	401,081
1,840,541	8,209,229
46,698	46,843
1,070	20,312
151	4,171
47,919	71,326
259,573	2,032,616
-	1,879,752
571,426	1,132,262
830,999	5,044,630
584	9,770
26,454	35,119
65	365,036
550,835	550,835
283,310	283,310
-	402,436
4,283	4,283
20,362	20,362
75,730	75,730
-	27,776
-	826,000
-	492,616
961,623	3,093,273
1,840,541	8,209,229

CITY OF UNION

MONTGOMERY COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances	$ 3,093,273
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.	10,581,121
Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.	
Income Taxes	219,773
Property Taxes	26,409
Intergovernmental	348,408
Charges for Services	126,904
Special Assessments	410,768
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(675,000)
Unamortized Bond Premium	(23,983)
Accrued Interest Payable	(1,508)
Capital Lease Obligation	(125,395)
Intergovernmental Commitment	(8,551,760)
Compensated Absences	(199,332)
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	1,327,387
Deferred Inflows - Pension and OPEB	(145,183)
Net OPEB Liability	(987,801)
Net Pension Liability	(3,252,233)
Net Position of Governmental Activities	$ 2,171,848

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, 2019

		General Fund	Police Fund	Fire/EMS Fund	TIF Fund
REVENUES:					
Income Taxes	$	1,300,732	-	-	-
Property Taxes		172,784	1,032,267	674,774	-
TIF Service Payments		-	-	-	1,895,619
Intergovernmental Revenue		176,270	140,598	80,563	-
Charges for Services		84,892	-	178,514	-
Special Assessments		-	-	-	-
Fines, Licenses and Permits		52,248	-	-	-
Investment Income		28,008	5,869	4,383	4,235
Other Revenue		36,807	13,556	9,478	-
Total Revenues		1,851,741	1,192,290	947,712	1,899,854
EXPENDITURES:					
Current:					
Security of Persons and Property		-	1,079,112	712,728	-
Public Health Services		-	-	-	-
Leisure Time Activities		83,606	-	-	-
Community Environment		-	-	-	-
Transportation		-	-	-	-
Economic Development		-	-	-	1,648,833
General Government		1,162,834	-	-	-
Capital Outlay		268,177	53,248	33,932	403,065
Debt Service:					
Principal		-	-	-	-
Interest		-	-	-	-
Total Expenditures		1,514,617	1,132,360	746,660	2,051,898
Excess (Deficiency) of Revenues Over/ (Under) Expenditures		337,124	59,930	201,052	(152,044)
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Assets		-	-	-	-
Inception of Capital Lease		-	-	-	-
Transfers In		-	-	-	-
Transfers Out		(10,000)	(20,725)	(99,375)	-
Total Other Financing Sources (Uses)		(10,000)	(20,725)	(99,375)	-
Net Change in Fund Balances		327,124	39,205	101,677	(152,044)
Fund Balance, Beginning of Year		1,035,550	132,998	92,660	554,480
Fund Balance, End of Year	$	1,362,674	172,203	194,337	402,436

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
-	1,300,732
275,540	2,155,365
-	1,895,619
471,725	869,156
618,942	882,348
367,216	367,216
-	52,248
24,959	67,454
70,285	130,126
1,828,667	7,720,264
385,119	2,176,959
19,201	19,201
-	83,606
642,064	642,064
570,307	570,307
-	1,648,833
-	1,162,834
376,910	1,135,332
116,725	116,725
20,100	20,100
2,130,426	7,575,961
(301,759)	144,303
5,430	5,430
142,120	142,120
130,100	130,100
(14,279)	(144,379)
263,371	133,271
(38,388)	277,574
1,000,011	2,815,699
961,623	3,093,273

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, 2019

Total Net Change in Fund Balances - Governmental Funds	$	277,574
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.		
Capital Asset Additions		475,074
Current Year Depreciation		(371,299)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		49,608
The transfer of infrastructure assets and the related intergovernmental debt assumption associated with an economic development agreement did not provide or use current financial resources and therefore is not reported in the funds.		
Contributed Infrastructure Assets		8,690,396
Infrastructure Assets Transferred to Enterprise Funds		(4,683,774)
Assumption of Intergovernmental Commitment		(8,551,760)
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.		116,725
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		(31,489)
Accrued Interest		167
Amortization of Bond Premium		3,029
Issuance of debt, including capital leases, is an other financing source in governmental funds, but the issuance increases the long-term liability in the statement of net position.		(142,120)
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.		239,261
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.		62,431
Change in Net Position of Governmental Activities	$	(3,866,177)

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Fund Net Position
Enterprise Funds
December 31, 2019

		Water	Sewer	Stormwater	Total
Assets:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	$	851,019	906,442	73,816	1,831,277
Accounts Receivable		51,404	72,402	11,528	135,334
Supplies Inventory		2,838	-	-	2,838
Prepaid Items		584	584	584	1,752
Total Current Assets		905,845	979,428	85,928	1,971,201
Non-current Assets:					
Construction in Progress		245,104	3,466,087	-	3,711,191
Depreciable Capital Assets, net		6,221,927	5,606,810	5,193,458	17,022,195
Total Non-current Assets		6,467,031	9,072,897	5,193,458	20,733,386
Total Assets		7,372,876	10,052,325	5,279,386	22,704,587
Deferred Outflows of Resources:					
Pension and OPEB		116,920	163,826	20,692	301,438
Total Deferred Outflows of Resources		116,920	163,826	20,692	301,438
Liabilities:					
Current Liabilities:					
Accounts Payable		1,250	-	-	1,250
Accrued Wages and Benefits		896	1,331	220	2,447
Accrued Interest Payable		-	9,883	-	9,883
Due to Other Governments		125	186	31	342
Compensated Absences Payable		17,175	18,491	2,627	38,293
Issue II Loans Payable		96,008	36,124	6,646	138,778
Capital Lease Payable		11,584	11,585	11,584	34,753
General Obligation Bonds Payable		-	230,000	-	230,000
Total Current Liabilities		127,038	307,600	21,108	455,746
Long Term Liabilities:					
Compensated Absences Payable		33,504	36,072	5,126	74,702
Issue II Loans Payable		1,951,392	313,768	158,674	2,423,834
Capital Lease Payable		68,590	68,537	67,987	205,114
General Obligation Bonds Payable		-	3,595,354	-	3,595,354
Net OPEB Liability		130,371	194,524	20,937	345,832
Net Pension Liability		343,344	409,901	53,392	806,637
Total Long Term Liabilities		2,527,201	4,618,156	306,116	7,451,473
Total Liabilities		2,654,239	4,925,756	327,224	7,907,219
Deferred Inflows of Resources:					
Pension and OPEB		23,037	47,202	7,035	77,274
Total Deferred Inflows of Resources		23,037	47,202	7,035	77,274
Net Position:					
Net Investment in Capital Assets		4,339,457	4,817,529	4,948,567	14,105,553
Unrestricted		473,063	425,664	17,252	915,979
Total Net Position	$	4,812,520	5,243,193	4,965,819	15,021,532

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, 2019

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	$ 590,136	1,064,125	137,541	1,791,802
Tap-In Fees	9,000	9,600	-	18,600
Other Operating Revenue	11,775	2,456	974	15,205
Total Operating Revenue	610,911	1,076,181	138,515	1,825,607
Operating Expenses:				
Personal Services	357,794	375,502	79,098	812,394
Contractual Services	99,630	101,756	13,373	214,759
Supplies and Materials	42,697	47,465	7,845	98,007
Other Expenses	15,619	15,370	14,387	45,376
Depreciation	219,303	223,610	83,907	526,820
Total Operating Expenses	735,043	763,703	198,610	1,697,356
Operating Income (Loss)	(124,132)	312,478	(60,095)	128,251
Non-Operating Revenues (Expenses):				
Interest	18,516	35,618	1,474	55,608
Intergovernment Grant	62,200	-	-	62,200
Interest and Fiscal Charges	(2,280)	(114,101)	(2,280)	(118,661)
Property Rental Revenue	20,509	4,462	-	24,971
Total Non-Operating Revenues (Expenses)	98,945	(74,021)	(806)	24,118
Income (Loss) Before Operating Transfers and Capital Contributions	(25,187)	238,457	(60,901)	152,369
Transfers-in	-	14,279	-	14,279
Capital Contributions	759,407	1,049,968	3,277,465	5,086,840
Change in Net Position	734,220	1,302,704	3,216,564	5,253,488
Net Position at Beginning of Year	4,078,300	3,940,489	1,749,255	9,768,044
Net Position at End of Year	$ 4,812,520	5,243,193	4,965,819	15,021,532

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, 2019

		Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	$	609,915	1,062,056	138,459	1,810,430
Cash Payments to Employees for Services and Benefits		(275,351)	(298,691)	(68,574)	(642,616)
Cash Payments to Suppliers for Goods and Services		(157,171)	(164,615)	(35,973)	(357,759)
Net Cash Provided by Operating Activities		177,393	598,750	33,912	810,055
Cash Flows from Noncapital Financing Activities:					
Property Rental Receipts		20,509	4,462	-	24,971
Net Cash Provided by Noncapital Financing Activities:		20,509	4,462	-	24,971
Cash Flows from Capital and Related Financing Activities:					
Acquisition of Capital Assets		(240,833)	(2,078,113)	(9,161)	(2,328,107)
Proceeds from Loans and Notes		42,644	-	-	42,644
Capital Grant		62,200	-	-	62,200
Principal Paid on Capital Leases		(11,792)	(11,791)	(11,792)	(35,375)
Principal Paid on Bonds		-	(225,000)	-	(225,000)
Principal Paid on Loans		(96,009)	(36,123)	(6,647)	(138,779)
Interest Paid		(2,280)	(111,101)	(2,280)	(115,661)
Net Cash Used in Capital and Related Financing Activities		(246,070)	(2,462,128)	(29,880)	(2,738,078)
Cash Flows from Investing Activities:					
Interest		18,516	35,618	1,474	55,608
Net Cash Provided by Investing Activities		18,516	35,618	1,474	55,608
Net Increase (Decrease) in Cash and Cash Equivalents		(29,652)	(1,823,298)	5,506	(1,847,444)
Cash and Cash Equivalents Beginning of Year		880,671	2,729,740	68,310	3,678,721
Cash and Cash Equivalents End of Year	$	851,019	906,442	73,816	1,831,277
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	$	(124,132)	312,478	(60,095)	128,251
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation		219,303	223,610	83,907	526,820
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable		(996)	(14,125)	(56)	(15,177)
(Increase) Decrease in Supplies Inventory		398	-	-	398
(Increase) Decrease in Prepaid Items		(24)	(24)	(24)	(72)
(Increase) Decrease in Deferred Outflows		(46,528)	(58,820)	(8,417)	(113,765)
Increase (Decrease) in Accounts Payable		401	-	(344)	57
Increase (Decrease) in Accrued Salaries Payable		545	413	48	1,006
Increase (Decrease) in Due to Other Governments		76	57	7	140
Increase (Decrease) in Compensated Absences Payable		6,977	4,793	562	12,332
Increase (Decrease) in Net OPEB Liability		17,882	19,207	2,700	39,789
Increase (Decrease) in Net Pension Liability		147,082	157,983	22,205	327,270
Increase (Decrease) in Deferred Inflows		(43,591)	(46,822)	(6,581)	(96,994)
Net Cash Provided by Operating Activities	$	177,393	598,750	33,912	810,055

<u>Capital and Related Financing Activities - Noncash Activity:</u>

	Water	Sewer	Stormwater	Total
For 2019:				
Capital related debt interest paid by governmental fund	$ -	$ 14,279	$ -	$ 14,279
Capital assets acquired through capital lease agreement	14,960	14,960	14,960	44,880
Capital assets financed from governmental funds	759,407	1,049,968	3,277,465	5,086,840

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 and 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.

Stormwater Fund - This fund accounts for the collection of stormwater 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 (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. 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 pension and OPEB plans. 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, 2019, 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.

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".

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has funds invested in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2019. 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, 2019. 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 2019 amounted to $67,454 and $55,608 in the governmental funds and proprietary funds, respectively.

Materials and Supplies Inventory

Inventories are stated at cost using the first-in, first-out (FIFO) method and are expensed when used. Reported materials and 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, 2019, the City reported no internal balance transactions.

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. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Improvements	20-30 years
Equipment	5-20 years
Vehicles	5-20 years
Infrastructure	20-50 years
Utility Infrastructure	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.

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 timely in full using current financial resources, are reported as obligations of the funds. However, claims and judgments, intergovernmental commitment, 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, none of the reported $1.9 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.

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 2019, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*; and Statement No. 90, *Majority Equity Interests – an amendment to GASB Statement No. 14 and No. 61.* A description of each Standard is listed below, however none of these Statements affected the financial statements of the City.

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The City does not have any such obligations.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Currently, the City does not report any fiduciary funds.

GASB Statement No. 88 improves the information that is disclosed in the notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement have been incorporated into the City's long-term obligations note disclosure.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The City does not have any such investments.

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.

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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 $423,521 and the bank balance was $584,406. At December 31, 2019, $334,406 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 $3,951,780. STAROhio is rated AAAm by Standard and Poor's and comprises 100% of the City's investments. The City measures their investment in STAROhio at the net asset value (NAV) per share provided by STAROhio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

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 2019 for real and public utility property taxes represents collections of the 2018 taxes.

The 2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2019 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. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in the subsequent year along with real property taxes.

NOTE 5 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2019 was $23.53 per $1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2019 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	$ 106,988,510
Public Utility Tangible Personal Property Assessed Valuation	2,083,130
Total Assessed Valuation	$ 109,071,640

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, 2019, 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 2019 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

During 2019, the City levies a municipal income tax of 1 percent 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. In November 2019, voters within the City approved increasing the municipal income tax an additional half percent, therefore the assessed income tax rate starting January 1, 2020 will be 1.5 percent.

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NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/2018	Additions		Deletions	Balance 12/31/2019
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 1,430,709	-		-	$ 1,430,709
Construction in Progress	222,070	190,134		-	412,204
Total Non-depreciable capital assets	1,652,779	190,134		-	1,842,913
Depreciable capital assets:					
Buildings	2,422,094	22,985		-	2,445,079
Equipment	3,652,965	211,146		-	3,864,111
Infrastructure	2,234,612	4,006,622		-	6,241,234
Improvements	229,204	43,728		-	272,932
Vehicles	2,089,250	7,081		-	2,096,331
Total depreciable capital assets	10,628,125	4,291,562		-	14,919,687
Less: accumulated depreciation					
Buildings	(810,013)	(55,641)		-	(865,654)
Equipment	(2,801,701)	(126,222)		-	(2,927,923)
Infrastructure	(471,054)	(54,970)		-	(526,024)
Improvements	(57,554)	(9,554)		-	(67,108)
Vehicles	(1,669,858)	(124,912)		-	(1,794,770)
Total accumulated depreciation	(5,810,180)	(371,299)	*	-	(6,181,479)
Depreciable capital assets, net	4,817,945	3,920,263		-	8,738,208
Governmental Activities Capital Assets, Net	$ 6,470,724	4,110,397		-	$ 10,581,121

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

General Government	$ 170,798
Security of Persons and Property	25,991
Transportation	174,510
Total Depreciation Expense	$ 371,299

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 12/31/2018	Additions		Deletions	Balance 12/31/2019
Business-Type Activities:					
Non-depreciable capital assets:					
Construction in Progress	$ 1,489,398	2,221,793		-	$ 3,711,191
Depreciable capital assets:					
Buildings	3,221,382	9,947		-	3,231,329
Equipment	1,996,310	96,299		-	2,092,609
Infrastructure	17,820,982	5,131,788		-	22,952,770
Improvements	31,921	-		-	31,921
Vehicles	197,982	-		-	197,982
Total depreciable capital assets	23,268,577	5,238,034		-	28,506,611
Less: accumulated depreciation					
Buildings	(2,700,590)	(55,687)		-	(2,756,277)
Equipment	(1,034,822)	(93,443)		-	(1,128,265)
Infrastructure	(7,073,480)	(364,889)		-	(7,438,369)
Improvements	(6,126)	(721)		-	(6,847)
Vehicles	(142,578)	(12,080)		-	(154,658)
Total accumulated depreciation	(10,957,596)	(526,820)	*	-	(11,484,416)
Depreciable capital assets, net	12,310,981	4,711,214		-	17,022,195
Business-Type Activities Capital Assets, Net	$ 13,800,379	6,933,007		-	$ 20,733,386

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

Water	$ 219,303
Sewer	223,610
Stormwater	83,907
Total Depreciation Expense	$ 526,820

NOTE 8 - RECEIVABLES

Receivables at December 31, 2019 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, 2019 were $135,334.

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 due to other governments 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 2019, 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 $187,097 for 2019. Of this amount, $1,043 is reported within due to other governments.

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

City full-time police officers 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
2019 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2019 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 $107,736 for 2019. Of this amount, $3,372 is reported within due to other governments.

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, 2018 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportionate share of the net pension liability	$ 2,651,928	$ 1,406,942	$ 4,058,870
Proportion of the net pension liability			
Current measurement date	0.009683%	0.017359%	
Prior measurement date	0.010374%	0.016102%	
Change in proportionate share	-0.000691%	0.001257%	
Pension expense	$ 594,131	$ 209,850	$ 803,981

At December 31, 2019, 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	$ 122	$ 58,216	$ 58,338
Net difference between projected and actual earnings on pension plan investments	359,941	174,567	534,508
Change in assumptions	230,856	37,566	268,422
Change in City's proportionate share and difference in employer contributions	55,397	118,386	173,783
City contributions subsequent to the measurement date	189,097	107,736	296,833
Total	$ 835,413	$ 496,471	$ 1,331,884
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 34,822	$ 1,323	$ 36,145
Change in City's proportionate share and difference in employer contributions	79,767	7,162	86,929
Total	$ 114,589	$ 8,485	$ 123,074

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

$296,833 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2020	$ 252,138	$ 113,158	$ 365,296
2021	78,798	74,986	153,784
2022	33,392	84,867	118,259
2023	167,399	99,295	266,694
2024	-	7,944	7,944
	$ 531,727	$ 380,250	$ 911,977

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, 2018 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:	
Current measurement period	7.20%
Prior measurement period	7.50%
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 Health Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	$ 3,917,665	$ 2,651,928	$ 1,600,084

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation date	January 1, 2018 with actuarial liabilities rolled forward to December 31, 2018
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% to 10.50%
Payroll growth	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	3.0% simple; 2.2% simple for increases based on the lesser of the increase 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 and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

The long-term expected rate of return on pension plan investments was determine 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 the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.8%
Domestic equity	16.0%	5.50%
Non-U.S. equity	16.0%	5.90%
Private markets	8.0%	8.40%
Core fixed income*	23.0%	2.60%
High yield fixed income	7.0%	4.80%
Private credit	5.0%	7.50%
U.S. inflation linked bonds*	17.0%	2.30%
Master limited partnerships	8.0%	6.40%
Real assets	8.0%	7.00%
Private real estate	12.0%	6.10%
	120.0%	

*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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 1,862,474	$ 1,406,942	$ 1,044,638

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.

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

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 *due to other governments* 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.

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.

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

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 2019, 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 Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to postemployment health care.

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.

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

Funding Policy—The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% 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 2019, 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.

The City's contractually required contribution to OP&F was $2,835 for 2019. Of this amount, $97 is reported within due to other governments.

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, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018 and was determined by rolling forward the total OPEB liability as of January 1, 2018 to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the 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	$ 1,175,554	$ 158,079	$ 1,333,633
Proportion of the net OPEB liability			
Current measurement date	0.009017%	0.017359%	
Prior measurement date	0.009678%	0.016102%	
Change in proportionate share	-0.000661%	0.001257%	
OPEB expense (negative expense)	$ 115,073	$ (764,778)	$ (649,705)

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

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

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Difference between expected and actual experience	$ 398	$ -	$ 398
Net difference between projected and actual earnings on OPEB plan investments	53,891	5,351	59,242
Change in assumptions	37,901	81,941	119,842
Change in City's proportionate share and difference in employer contributions	35,233	79,391	114,624
City contributions subsequent to the measurement date	-	2,835	2,835
Total	$ 127,423	$ 169,518	$ 296,941
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ 3,190	$ 4,234	$ 7,424
Change in assumptions	-	43,765	43,765
Change in City's proportionate share and difference in employer contributions	48,194	-	48,194
Total	$ 51,384	$ 47,999	$ 99,383

$2,835 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2020	$ 50,676	$ 20,265	$ 70,941
2021	(9,938)	20,265	10,327
2022	8,152	20,265	28,417
2023	27,149	21,884	49,033
2024	-	19,332	19,332
Thereafter	-	16,673	16,673
	$ 76,039	$ 118,684	$ 194,723

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.

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

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 OBEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement period	3.96%
Prior measurement period	3.85%
Investment rate of return:	
Current measurement period	6.00%
Prior measurement period	6.50%
Municipal bond rate:	
Current measurement period	3.71%
Prior measurement period	3.31%
Health care cost trend rate:	
Current measurement period	10.0% initial, 3.25% ultimate in 2029
Prior measurement period	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.

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.

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

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

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 2018 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	100.00%	5.16%

Discount Rate. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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 3.96%, 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 (2.96%) or 1.0% point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	$ 1,503,930	$ 1,175,554	$ 914,350

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 2019 is 10.00%. 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	$ 1,129,931	$ 1,175,554	$ 1,228,029

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018 and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing 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, 2018, with actuarial liabilities rolled forward to December 31, 2018
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	4.66%
Prior measurement date	3.24%
Municipal bond rate:	
Current measurement date	4.13%
Prior measurement date	3.16%
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 Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

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

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

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

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

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, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.80%
Domestic equity	16.0%	5.50%
Non-U.S. equity	16.0%	5.90%
Private markets	8.0%	8.40%
Core fixed income*	23.0%	2.60%
High yield fixed income	7.0%	4.80%
Private credit	5.0%	7.50%
U.S. inflation linked bonds*	17.0%	2.30%
Master limited partnerships	8.0%	6.40%
Real assets	8.0%	7.00%
Private real estate	12.0%	6.10%
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 4.66%. 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 not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 4.66% at December 31, 2018 and 3.24% at December 31, 2017.

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 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.66%) and 1% point higher (5.66%) than the current discount rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$ 192,583	$ 158,079	$ 129,116

Changes Subsequent to the Measurement Date. Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

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 $145,916 at December 31, 2019.

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, 2019 was $166,411.

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 2019 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	11,171,565	1,000
Terrorism	13,757,457	25,000
Equipment	11,352,210	1,000
Special Property	1,761,118	1,000
Crime	100,000	1,000
Cyber	500,000	25,000
EDP	108,494	1,000
Malicious Assailant	5,000,000	10,000

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.

For 2019, 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 2019, the City made no contributions to or withdrawals from the savings account and the account has an approximate balance of $137,000. 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

The City has entered into lease agreements to finance the purchase of equipment, which is utilized by the streets and utility departments. These leases meet the criteria to be classified as a capital leases 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 equipment purchased in 2019 and 2016 has been capitalized on the statement of net position as equipment for $511,900, which is the present value of the total minimum lease payments to be made under the agreements. Principal payments in 2019 for capital leases were $52,100.

NOTE 13 - CAPITALIZED LEASES (continued)

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, 2019.

Year ending December 31,	Capital Lease Obligation
2020	$ 58,940
2021	58,940
2022	58,939
2023	58,940
2024	58,940
2025-2028	124,964
Total minimum lease payments	419,663
Less: Amount representing interest	(54,401)
Minimum lease payments	$ 365,262

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019	Amount Due In One Year
Governmental Activities:					
General Obligation Bonds	$ 775,000	$ -	$ (100,000)	$ 675,000	$ 105,000
Bond Premiums	27,012	-	(3,029)	23,983	-
Other Obligations:					
Capital lease obligation	-	142,120	(16,725)	125,395	11,938
Intergovernmental Commitment	-	8,551,760	-	8,551,760	1,320,216
Compensated Absences	167,843	58,339	(26,850)	199,332	67,553
Net Pension Liability:					
OPERS	1,148,064	697,227	-	1,845,291	-
OP&F	988,243	418,699	-	1,406,942	-
Net OPEB Liability:					
OPERS	744,957	84,765	-	829,722	-
OP&F	912,308	-	(754,229)	158,079	-
Total governmental activities	$ 4,763,427	$ 9,952,910	$ (900,833)	$ 13,815,504	$ 1,504,707
Business-type Activities:					
General Obligation Bonds	$ 3,855,000	$ -	$ (225,000)	$ 3,630,000	$ 230,000
Bond Premiums	206,258	-	(10,904)	195,354	-
OPWC Loans - Direct Borrowing	2,658,747	42,644	(138,779)	2,562,612	138,778
Other Obligations:					
Capital lease obligation	230,362	44,880	(35,375)	239,867	34,753
Compensated Absences	100,663	62,630	(50,298)	112,995	38,293
Net Pension Liability:					
OPERS	479,367	327,270	-	806,637	-
Net OPEB Liability:					
OPERS	306,043	39,789	-	345,832	-
Total business-type activities	$ 7,836,440	$ 517,213	$ (460,356)	$ 7,893,297	$ 441,824

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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.

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
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	75,000	9,450	190,000	96,550
2025-2029	240,000	14,700	935,000	395,600
2030-2034	-	-	950,000	247,075
2035-2037	-	-	665,000	53,800
Total	$ 675,000	$ 83,750	$ 3,630,000	$ 1,237,025

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
W. Martindale Water Main Replacement Phase IV	2019	186,601	**	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

** - Project not complete, repayment schedule has not been established. At December 31, 2019, the outstanding balance of loan draws was $42,644.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Business-Type Activities			
Year	Principal	Year	Principal
2020	$ 138,778	2025-2029	636,759
2021	138,779	2030-2034	476,232
2022	138,779	2035-2039	435,457
2023	135,548	2040-2044	203,026
2024	132,320	2045-2048	84,290
		Total	$ 2,519,968

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. Subsequent to the agreement, the Port Authority issued private placement bonds to provide the Montgomery County share of the project. Total estimated cost for the entire project was estimated to be $13.2 million. Effective December 31, 2019, the MCTID released the infrastructure assets to the appropriate jurisdictions. For 2019, the City recorded contributed capital of $4,006,622 in roadway infrastructure (governmental activities) and $4,683,774 in utilities infrastructure; $759,407, $646,903, and $3,277,465 in the water, sewer and storm water funds, respectively.

Associated with the transfer of the infrastructure assets noted above, the City recognized the contractual requirement to repay the outstanding debt as of December 31, 2019 associated with this project through TIF service payments transferred to the MCTID until said debt has matured. The outstanding debt consisted of $8,026,760 in SIB loan and $525,000 in private purpose bonds, both of which mature during calendar year 2025. The City has recorded a long-term intergovernmental commitment of $8,551,760 as of December 31, 2019, $1,320,216 of which is due within one year. The expected future payments associated with this intergovernmental commitment are as follows:

	Governmental Activities	
Year	Principal	Interest
2020	$ 1,320,216	$ 256,063
2021	1,357,702	214,698
2022	1,401,320	172,200
2023	1,446,106	128,170
2024	1,487,095	82,816
2025	1,539,321	36,104
Total	$ 8,551,760	$ 890,051

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 2019:

Transfer from Fund	Transfer to Fund	Amount
General	Other Governmental	$ 10,000
Police	Other Governmental	20,725
Fire/EMS	Other Governmental	99,375
Other Governmental	Sewer Fund	14,279
		$ 144,379

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 2019 by the bond retirement fund from the proceeds of the capitalized interest posted to the bond retirement fund when the 2017 bonds were issued.

On the Statement of Activities, transfers from the governmental funds to the business-type activities include $4,683,774 of infrastructure assets released to the City's TIF Fund from the MCTID, related to the Global Logistics Air Park, during 2019 which were subsequently transferred to the appropriate utility funds (see Note 14 for additional details). In addition, another $403,066 of sewer infrastructure capital assets were funded through restricted cash held by the MCTID reported in the City's TIF Fund were reported as a transfer on the Statement of Activities for 2019.

NOTE 16 - FEDERAL AND STATE GRANTS

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

NOTE 17 - COMMITMENTS

Contractual Commitment

The City is in the process of updating and expanding the waste water treatment plant. As of December 31, 2019, there were $367,933 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 only open encumbrances relate to the projects noted above, $367,933 in the Sewer Fund.

NOTE 18 - SUBSEQUENT EVENT

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the retirement systems in which the City participates are subject to market conditions which saw significant declines at the beginning of the pandemic. Volatile market conditions may continue throughout 2020 and therefore the amount of losses the City will recognize in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues and any recovery from emergency fund, either federal or state, cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Six 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	0.009626%	$ 1,134,780	$ 1,023,046	110.92%	86.36%
2015	0.009626%	1,161,003	1,180,200	98.37%	86.45%
2016	0.009560%	1,655,921	1,189,842	139.17%	81.08%
2017	0.009290%	2,109,710	1,256,617	167.89%	77.25%
2018	0.010374%	1,627,431	1,370,892	118.71%	84.66%
2019	0.009683%	2,651,928	1,307,836	202.77%	74.70%

(1) Information prior to 2014 is not available. The City will continue to present information 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:

Change in assumptions. In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period 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.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Six 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	0.014540%	$ 708,158	$ 343,314	206.27%	73.00%
2015	0.014540%	753,245	298,870	252.03%	71.71%
2016	0.014074%	905,390	301,309	300.49%	66.77%
2017	0.015495%	981,459	382,000	256.93%	68.36%
2018	0.016102%	988,243	369,968	267.12%	70.91%
2019	0.017359%	1,406,942	419,784	335.16%	63.07%

(1) Information prior to 2014 is not available. The City will continue to present information 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:

Change in assumptions. In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period 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 City Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Seven 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%
2019	189,097	(189,097)	-	1,350,693	14.00%

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City Pension Contributions
Ohio Police and Fire Pension Fund
Last Seven 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	$ 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%
2019	107,736	(107,736)	-	567,032	19.00%

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Three 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	0.008690%	$ 877,764	$ 1,256,617	69.85%	54.05%
2018	0.009678%	1,051,000	1,370,892	76.67%	54.14%
2019	0.009017%	1,175,554	1,307,836	89.89%	46.33%

(1) Information prior to 2017 is not available. The City will continue to present information 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:

Change in assumptions. In 2018, the single discount rate changed from 4.23% to 3.85%.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Three 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	0.015495%	$ 735,529	$ 382,000	192.55%	15.96%
2018	0.016102%	912,308	369,968	246.59%	14.13%
2019	0.017359%	158,079	419,784	37.66%	46.57%

(1) Information prior to 2017 is not available. The City will continue to present information 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:

Change in assumptions. In 2018, the single discount rate changed from 3.79% to 3.24%.

In 2019, the single discount rate changed from 3.24% to 4.66%.

Change in benefits. Starting January 1, 2019, OP&F changed its retire health care model from the previous self-insured health care plan offered to a stipend-based health care model. The stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result from changing from the self-insured health care plan to the stipend-based health care model, OP&F expects that it will be able to provide stipends to eligible participants for the next 15 years.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Public Employees Retirement System
Last Five 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	13,708	(13,708)	-	1,370,892	1.00%
2018	-	-	-	1,307,836	0.00%
2019	-	-	-	1,350,693	0.00%

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Police and Fire Pension Fund
Last Five 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%
2019	2,835	(2,835)	-	567,032	0.50%

(1) Information prior to 2015 is not available. The City will continue to present information 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, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:					
Property Taxes	$	188,574	188,574	172,784	(15,790)
Municipal Income Taxes		1,100,000	1,100,000	1,292,836	192,836
Intergovernmental Revenue		134,272	134,272	173,998	39,726
Charges for Services		65,451	65,451	84,816	19,365
Fines, Licenses and Permits		39,571	39,571	51,288	11,717
Investment Income		18,765	18,765	24,317	5,552
Other Revenue		88,567	88,567	114,771	26,204
Total Revenues		1,635,200	1,635,200	1,914,810	279,610
Expenditures:					
Current:					
General Government		1,221,394	1,379,394	1,230,586	148,808
Capital Outlay		1,044,806	886,806	268,177	618,629
Total Expenditures		2,266,200	2,266,200	1,498,763	767,437
Excess of Revenues Over (Under) Expenditures		(631,000)	(631,000)	416,047	1,047,047
Other Financing Sources (Uses):					
Transfers Out		(122,000)	(122,000)	(90,000)	32,000
Total Other Financing Sources (Uses)		(122,000)	(122,000)	(90,000)	32,000
Net Change in Fund Balance		(753,000)	(753,000)	326,047	1,079,047
Fund Balance, Beginning of Year		902,769	902,769	902,769	-
Prior Year Encumbrances Appropriated		10,000	10,000	10,000	-
Fund Balance, End of Year	$	159,769	159,769	1,238,816	1,079,047

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, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:					
Property Taxes	$	1,013,800	1,036,300	1,032,267	(4,033)
Intergovernmental Revenue		129,000	140,000	140,598	598
Investment Income		500	4,500	5,869	1,369
Other Revenue		-	11,398	14,107	2,709
Total Revenues		1,143,300	1,192,198	1,192,841	643
Expenditures:					
Current:					
Security of Persons and Property		1,160,639	1,160,639	1,075,592	85,047
Capital Outlay		66,436	66,436	53,248	13,188
Total Expenditures		1,227,075	1,227,075	1,128,840	98,235
Excess of Revenues Over (Under) Expenditures		(83,775)	(34,877)	64,001	98,878
Other Financing Sources (Uses):					
Transfers Out		(20,725)	(20,725)	(20,725)	-
Total Other Financing Sources (Uses)		(20,725)	(20,725)	(20,725)	-
Net Change in Fund Balance		(104,500)	(55,602)	43,276	98,878
Fund Balance, Beginning of Year		99,479	99,479	99,479	-
Fund Balance, End of Year	$	(5,021)	43,877	142,755	98,878

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, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:					
Property Taxes	$	662,800	662,800	674,774	11,974
Intergovernmental Revenue		68,000	68,000	80,563	12,563
Charges for Services		165,000	165,000	178,514	13,514
Investment Income		300	300	3,410	3,110
Other Revenue		-	-	9,461	9,461
Total Revenues		896,100	896,100	946,722	50,622
Expenditures:					
Current:					
Security of Persons and Property		679,296	727,296	714,868	12,428
Capital Outlay		85,054	37,054	33,932	3,122
Debt Service:					
Principal		58,000	58,000	-	58,000
Interest		6,375	6,375	-	6,375
Total Expenditures		828,725	828,725	748,800	79,925
Excess of Revenues Over (Under) Expenditures		67,375	67,375	197,922	130,547
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets		-	-	505	505
Transfers In		32,000	32,000	-	(32,000)
Transfers Out		(99,375)	(99,375)	(99,375)	-
Total Other Financing Sources (Uses)		(67,375)	(67,375)	(98,870)	(31,495)
Net Change in Fund Balance		-	-	99,052	99,052
Fund Balance, Beginning of Year		46,349	46,349	46,349	-
Fund Balance, End of Year	$	46,349	46,349	145,401	99,052

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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
TIF Service Payments	$ 1,789,900	1,895,618	1,895,619	1
Investment Income	-	-	29	29
Total Revenues	1,789,900	1,895,618	1,895,648	30
Expenditures:				
Current:				
Economic Development	1,789,900	1,895,618	1,895,618	-
Total Expenditures	1,789,900	1,895,618	1,895,618	-
Net Change in Fund Balance	-	-	30	30
Fund Balance, Beginning of Year	1,325	1,325	1,325	-
Fund Balance, End of Year	$ 1,325	1,325	1,355	30

See accompanying notes to the required supplementary information.

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

All funds, except for custodial 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	$ 327,124	$ 39,205	$ 101,677	$ (152,044)
Revenue Accruals	65,882	551	(485)	(4,206)
Expenditure Accruals	(67,752)	3,520	(2,140)	156,280
Budgeting Differences	793	-	-	-
Budget Basis	$ 326,047	$ 43,276	$ 99,052	$ 30

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 17, 2020 wherein we noted the City's potential financial impact of the COVID-19 pandemic on subsequent periods.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
July 17, 2020

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF UNION

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/15/2020

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