



**CLARK SCHAEFER HACKETT**  
BUSINESS ADVISORS

**CITY OF UNION  
MONTGOMERY COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020



OHIO AUDITOR OF STATE  
KEITH FABER



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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, 2020 to December 31, 2020. 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.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

August 01, 2021

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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, 2020, 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, 2020, 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.

## **Other Matters**

### *Required Supplementary Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
June 25, 2021



**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
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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, 2020. 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 2020 are as follows:

- Governmental activities reported a change in net position of \$2.6 million; an increase of 120.8 percent compared to the prior year.
- Business-type activities reported a change in net position of \$353,220; an increase of 2.4 percent during 2020.
- Effective January 1, 2020, the City's income tax rate increased to 1.5 percent from the previous rate of 1.0 percent and resulted in an additional \$437,894 of income tax revenue being reported for 2020, an increase of 33.6 percent. The benefit of the increase in income tax rate was partially tempered by the economic conditions caused by the global pandemic during 2020.
- The General Fund reported a fund balance of \$1.5 million which was an increase of \$113,001 from the fund balance reported at the end of the prior year. The \$749,886 unrestricted fund balance reported for the General Fund at December 31, 2020 represents 32.8 percent of the annual fund expenditures reported for the year.
- The City continues to invest in its infrastructure as well as economic development opportunities for the City. Recently, the City learned a significant new employer is intending to build a facility within the City's Global Logistics Air Park.

**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 2020?"

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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"

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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, 2020 as compared to the amounts for the year ended December 31, 2019.

**TABLE 1**  
**Statement of Net Position, December 31**

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<b>Assets:</b>						
Current and Other Assets	\$ 9,003,065	1,597,770	10,600,835	8,209,229	1,971,201	10,180,430
Capital Assets	11,463,713	21,296,777	32,760,490	10,581,121	20,733,386	31,314,507
Total Assets	<u>20,466,778</u>	<u>22,894,547</u>	<u>43,361,325</u>	<u>18,790,350</u>	<u>22,704,587</u>	<u>41,494,937</u>
Deferred Outflows of Resources	<u>1,104,862</u>	<u>150,587</u>	<u>1,255,449</u>	<u>1,327,387</u>	<u>301,438</u>	<u>1,628,825</u>
<b>Liabilities:</b>						
Current and Other Liabilities	85,413	19,965	105,378	72,834	13,922	86,756
Long-term Liabilities	<u>12,069,104</u>	<u>7,417,543</u>	<u>19,486,647</u>	<u>13,815,504</u>	<u>7,893,297</u>	<u>21,708,801</u>
Total Liabilities	<u>12,154,517</u>	<u>7,437,508</u>	<u>19,592,025</u>	<u>13,888,338</u>	<u>7,907,219</u>	<u>21,795,557</u>
Deferred Inflows of Resources	<u>4,621,461</u>	<u>232,874</u>	<u>4,854,335</u>	<u>4,057,551</u>	<u>77,274</u>	<u>4,134,825</u>
<b>Net Position:</b>						
Net Investment in Capital Assets	8,072,896	14,942,530	23,015,426	5,750,121	14,105,553	19,855,674
Restricted	1,996,203	-	1,996,203	1,945,003	-	1,945,003
Unrestricted	<u>(5,273,437)</u>	<u>432,222</u>	<u>(4,841,215)</u>	<u>(5,523,276)</u>	<u>915,979</u>	<u>(4,607,297)</u>
Total Net Position	<u>\$ 4,795,662</u>	<u>15,374,752</u>	<u>20,170,414</u>	<u>2,171,848</u>	<u>15,021,532</u>	<u>17,193,380</u>

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

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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

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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, 2020 the City's overall net position was \$20.2 million. Of this amount, \$23.0 million was invested in capital assets, net of related debt. The increase in net investment in capital assets reported for 2020 compared to 2019 was the result of current year additions to capital assets exceeding depreciation expense for 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, and the related deferred outflow and inflow of resources, accounted for another \$3.5 million reduction to unrestricted net position for governmental activities.

Governmental activities reported a 9.7 percent increase in current assets at the end of 2020 compared to one year prior. This increase was the result of a \$468,582 increase in cash and equivalents and a \$182,948 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, increased due to less infrastructure projects being reimbursed to the City in 2020 compared with 2019. Receivables increased due to higher estimates for income taxes receivable associated with the increase in the City's income tax rate. Net capital assets for the governmental activities increased during the year as the City invested significantly in roadway infrastructure, ongoing construction projects, and replacement of vehicles and related accessories.

Current liabilities of the governmental activities remained consistent with those of the prior year while long-term liabilities decreased by \$1.7 million, 12.6 percent, compared with those reported at the end of 2019. Based on information provided by the State-wide retirement funds, the City's proportionate share of the net pension and OPEB liabilities decreased by \$343,188 from 2019 amounts. The remaining \$1.6 million of the decrease related to payments on the City's long-term obligations, the most significant of which was the \$1.3 million reduction in the intergovernmental commitment the City has with the MCTID for the Global Logistics Air Park project.

Total assets of the business-type activities increased by 0.8 percent compared to those reported for 2019. The decrease in pooled cash and cash equivalents was offset by an increase in capital assets during the year as the City capitalized \$574,195 of expenses associates with the on-going improvement project at the waste water treatment plant as construction in progress during the year. Total liabilities of the business-type activities decreased by 5.9 percent during 2020 as \$406,641 of scheduled debt service principal payments were made, which was partially offset by the issuance of \$143,959 in OWPC loans during the year. The remaining decrease is associated with the net pension and OBEP liabilities, which is described above.

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The following table shows the changes in net position for the year ended December 31, 2020 as compared to fiscal year ended December 31, 2019.

**TABLE 2**  
**Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 1,293,834	1,363,610	1,878,062	1,825,607	3,171,896	3,189,217
Operating Grants and Contributions	990,988	743,101	-	-	990,988	743,101
Capital Grants and Contributions	171,069	138,637	-	62,200	171,069	200,837
General Revenues:						
Income Taxes	1,742,557	1,304,663	-	-	1,742,557	1,304,663
Property Taxes	2,213,479	2,144,158	-	-	2,213,479	2,144,158
TIF Service Payments	1,879,752	1,895,619	-	-	1,879,752	1,895,619
Grants and Contributions not Restricted	147,264	121,141	-	-	147,264	121,141
Investment Income	18,073	67,454	11,261	55,608	29,334	123,062
Other Revenue	375,607	135,556	25,452	24,971	401,059	160,527
Transfers	(277,578)	(5,101,119)	277,578	5,101,119	-	-
Total Revenue	<u>8,555,045</u>	<u>2,812,820</u>	<u>2,192,353</u>	<u>7,069,505</u>	<u>10,747,398</u>	<u>9,882,325</u>
<b>EXPENSES:</b>						
General Government	1,449,794	1,587,544	-	-	1,449,794	1,587,544
Security of Persons and Property	2,722,186	1,564,377	-	-	2,722,186	1,564,377
Public Health Services	27,652	20,030	-	-	27,652	20,030
Transportation	703,016	1,085,584	-	-	703,016	1,085,584
Economic Development	284,529	1,648,833	-	-	284,529	1,648,833
Community Environment	645,725	656,209	-	-	645,725	656,209
Leisure Time Activities	78,644	99,516	-	-	78,644	99,516
Water	-	-	755,468	737,323	755,468	737,323
Sewer	-	-	847,957	877,804	847,957	877,804
Stormwater	-	-	235,708	200,890	235,708	200,890
Interest Expense	19,685	16,904	-	-	19,685	16,904
Total Expenses	<u>5,931,231</u>	<u>6,678,997</u>	<u>1,839,133</u>	<u>1,816,017</u>	<u>7,770,364</u>	<u>8,495,014</u>
Change in Net Position	2,623,814	(3,866,177)	353,220	5,253,488	2,977,034	1,387,311
Net Position, Beginning of Year	2,171,848	6,038,025	15,021,532	9,768,044	17,193,380	15,806,069
Net Position, End of Year	<u>\$ 4,795,662</u>	<u>2,171,848</u>	<u>15,374,752</u>	<u>15,021,532</u>	<u>20,170,414</u>	<u>17,193,380</u>

**Governmental Activities**

Total governmental activities revenue (excluding transfers) increased by \$918,684 for 2020 compared with those of the prior year as income tax revenue increased and additional grant funding was provided to the City through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Income taxes increased by \$437,894, an increase of 33.6 percent, as a result of the City's income tax rate increasing to 1.5% from the previous 1.0% rate effective January 1, 2020. The economic effect of the rate increase was somewhat tempered by the economic conditions caused by the global pandemic during 2020. The City received \$391,152 of funding through the CARES Act to assist in efforts to respond to and address the issues caused by the pandemic. Finally, the significant increase in other revenue was due to refunds of prior year workers' compensation premiums from the State of Ohio to provide financial assistance to local governments during the pandemic.

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Total expenses of governmental activities decreased by \$747,766 (11.2 percent) from those reported for 2019. The most significant decrease was reported for the economic development function and relates to the way the repayment of the intergovernmental commitment associated with the Global Logistics Air Park is reported. As the City first recorded the commitment as a long-term obligation in the prior year, the annual reduction in that commitment, approximately \$1.3 million for 2020, is now reported as a liability reduction rather than as an expense, as it was in year prior. The increase reported in the security of persons and property function related to the increase in personnel coupled with increased pension expense recognized for 2020 compared to the amount recognized in the prior year. The decrease in the transportation function expenses reported for 2020 occurred as the City performed less maintenance projects on roadways due to the scheduled road pavement replacement project established by the City; 2020 was the first year of the pavement replacement project.

***Business-Type Activities***

Overall, the City's business-type activities generated 2.9 percent more in program revenues for 2020 compared to 2019, as a result of higher usage due to residential and commercial development. Operating expenses of the City's utilities only increased \$27,001 over 2019 levels, or 1.6 percent. The City continues to invest in its infrastructure, including those reported by the utilities. The improvements to the City's wastewater treatment facility, which started in 2017, continued throughout 2020 with nearly \$575,000 being added to construction-in-progress related to this project. Overall, just over \$4.0 million of construction-in-progress reported for the sewer utility is associated with this multi-year project that is expected to be completed in 2021. Also, during the year, the City transferred capital assets totaling \$277,578 financed by governmental funds to the City's utilities, the most significant of which was the improvements made to the Phillipsburg-Union Road storm sewer system.

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**

	<u>2020</u>		<u>2019</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 1,449,794	(1,136,194)	1,587,544	(1,381,419)
Security of Persons and Property	2,722,186	(1,754,705)	1,564,377	(742,895)
Public Health Services	27,652	(7,460)	20,030	(14,568)
Transportation	703,016	(166,143)	1,085,584	(487,461)
Economic Development	284,529	(284,529)	1,648,833	(1,648,833)
Community Environment	645,725	(28,906)	656,209	(42,729)
Leisure Time Activities	78,644	(77,718)	99,516	(98,840)
Interest Expense	19,685	(19,685)	16,904	(16,904)
Total Expenses	<u>\$ 5,931,231</u>	<u>(3,475,340)</u>	<u>6,678,997</u>	<u>(4,433,649)</u>

(continued)

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2020  
(Unaudited)

**TABLE 3**  
**Total and Net Cost of Program Services**  
**(Continued)**

	2020		2019	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 755,468	(117,899)	737,323	(64,212)
Sewer	847,957	250,750	877,804	198,377
Stormwater	235,708	(93,922)	200,890	(62,375)
Total Expenses	\$ 1,839,133	38,929	1,816,017	71,790

**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, 2020, the City's governmental funds reported revenues and other financing sources of \$8.9 million and expenditures and other financing uses of \$8.2 million, with combined fund balances amounting to \$3.8 million. Of the \$3.8 million fund balance, \$2.3 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, 2020, the unassigned fund balance of the General Fund was reported at \$749,886, an increase from the \$470,516 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 significant workers' compensation rebates received from the State of Ohio during 2020. Expenditures and other financing uses of the General Fund increased by 51.3 percent compared with those reported in the prior year primarily as the City spent \$851,957 more on capital projects in 2020 compared to 2019. In conjunction with the approved increase in the income tax rate, the City committed itself to an annual street improvement schedule with 2020 being the first year. The capital outlay related to street resurfacing in 2020 totaled \$535,104.

The Police and Fire/EMS Funds rely on property tax levies to fund operations and budgets are adopted based on anticipated tax revenues. Expenditures are based on the revenue available from these dedicated property tax levies. During the current year, total revenue increased slightly due to workers' compensation rebates received from the State of Ohio and total expenditures of these funds increased 7.2 percent and 4.1 percent respectively due to increased personnel costs.

The City's TIF Fund was established to account for the construction activity in, financing of and service payments received for the Global Logistics Air Park project. As part of the original agreement between the City and the Montgomery County Transportation Improvement District (MCTID), the MCTID acquired the financing of the project and the City, in return, transfers all service payments resulting from the project to the MCTID for payments on the debt issued. Any service payment revenue not used by MCTID for annual debt service payments is available for City directed improvements within the improvement zone and is reported as restricted cash with fiscal agent within the TIF fund. Of the \$1.9 million of services payments remitted to MCTID by the City during 2020, \$1.5 million was used to make scheduled principal and interest payments on the State Infrastructure Bank Loan and Private Purpose Bond and another \$169,531 was spent on City improvement projects.



**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
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*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 \$327,035, \$61,071 and \$44,116 for the water, sewer and stormwater funds, respectively. The changes in net position for the water, sewer and stormwater funds were increases of \$5,148, \$285,721 and \$62,351, respectively. Total operating expenses for all proprietary funds were \$1.7 million which were \$153,705 more than the operating revenues reported. Ending unrestricted net position as of December 31, 2020 was 43.4 percent, 8.3 percent, and 18.9 percent of the operating expenses reported for the water, sewer and stormwater operations, respectively. During 2020, the City's utilities saw revenue growth through an increase demand from residential and commercial development. Utility operating expenses were consistent with those of the prior year.

*General Fund Budgeting Highlights*

For the General Fund, actual budget basis revenue was \$2.5 million which was \$272,593 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to increase in other revenue related to the rebate of prior year workers' compensation premiums, which was not anticipated by the City. The City continues to estimate revenues conservatively due to the uncertainty the global pandemic might have had on the City's revenue sources.

Total actual expenditures (including transfers) on the budget basis were \$2.5 million which were \$547,838 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, 2020, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$11.5 million and \$21.3 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2020 balances compared to December 31, 2019 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**

	2020			2019		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,436,809	-	1,436,809	1,430,709	-	1,430,709
Construction in Progress	709,327	4,478,727	5,188,054	412,204	3,711,191	4,123,395
Infrastructure	6,822,087	23,297,809	30,119,896	6,241,234	22,952,770	29,194,004
Buildings	2,477,110	3,231,329	5,708,439	2,445,079	3,231,329	5,676,408
Improvements	272,932	31,921	304,853	272,932	31,921	304,853
Equipment	4,053,599	2,173,934	6,227,533	3,864,111	2,092,609	5,956,720
Vehicles	2,297,646	197,982	2,495,628	2,096,331	197,982	2,294,313
Less: Accumulated						
Depreciation	(6,605,797)	(12,114,925)	(18,720,722)	(6,181,479)	(11,484,416)	(17,665,895)
Totals	\$ <u>11,463,713</u>	<u>21,296,777</u>	<u>32,760,490</u>	<u>10,581,121</u>	<u>20,733,386</u>	<u>31,314,507</u>

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2020  
(Unaudited)

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Overall, the net capital assets increased by \$1.4 million (4.6 percent), from those reported one year prior as current year additions of \$2.5 million were greater than current year depreciation of \$1.1 million (\$424,318 for governmental activities and \$630,509 for business-type activities). Significant capital asset additions for governmental activities included roadway improvement projects of \$535,104, \$297,123 of additions to ongoing projects recorded in construction-in-progress, and \$201,315 of safety and public works vehicles and accessories. In business-type activities, most of current year additions (\$1.0 million) were associated with ongoing utility projects, mainly the wastewater treatment plant and various infrastructure replacement projects.

### **LONG-TERM DEBT AND COMMITMENTS**

At December 31, 2020 the City's governmental activities reported total long-term debt and commitment obligations of \$7.9 million compared to the \$9.4 million reported one year prior. During the current year, \$1.4 million of principal payments were made against those obligations. The intergovernmental commitment (\$7.2 million) is associated with the 3<sup>rd</sup> party debt issued for the City's Global Logistics Air Park project. The general obligation bonds (\$590,954), including premium, were issued for the expansion of the public safety facilities within the City. The City also entered a capital lease obligation during a prior year to finance the acquisition of equipment. Approximately \$1.5 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, 2020 consisted of one general obligation bond issue of \$3.6 million; capital lease obligations of \$205,114; 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 \$417,545 while additional debt (an OPWC loan) of \$143,959 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, 2020

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,012,606	1,464,742	4,477,348
Receivables:			
Taxes	2,563,259	-	2,563,259
Accounts	110,677	128,078	238,755
Special Assessments	421,018	-	421,018
TIF	1,870,296	-	1,870,296
Intergovernmental	436,933	-	436,933
Prepaid Items	12,918	1,830	14,748
Materials and Supplies Inventory	33,242	3,120	36,362
Restricted Cash with Fiscal Agent	542,116	-	542,116
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,436,809	-	1,436,809
Construction in Progress	709,327	4,478,727	5,188,054
Capital assets, net of accumulated depreciation	<u>9,317,577</u>	<u>16,818,050</u>	<u>26,135,627</u>
Total Assets	<u>20,466,778</u>	<u>22,894,547</u>	<u>43,361,325</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension and OPEB	<u>1,104,862</u>	<u>150,587</u>	<u>1,255,449</u>
Total Deferred Outflows of Resources	<u>1,104,862</u>	<u>150,587</u>	<u>1,255,449</u>
<b>LIABILITIES:</b>			
Accounts Payable	46,930	1,282	48,212
Accrued Wages and Benefits	30,979	8,055	39,034
Due to Other Governments	6,171	1,128	7,299
Accrued Interest Payable	1,333	9,500	10,833
Noncurrent Liabilities:			
Due Within One Year	1,566,416	460,279	2,026,695
Due In More Than One Year:			
Net OPEB Liability	1,087,203	364,645	1,451,848
Net Pension Liability	2,809,633	567,454	3,377,087
Other	<u>6,605,852</u>	<u>6,025,165</u>	<u>12,631,017</u>
Total Liabilities	<u>12,154,517</u>	<u>7,437,508</u>	<u>19,592,025</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes	2,096,041	-	2,096,041
TIF	1,870,296	-	1,870,296
Pension and OPEB	<u>655,124</u>	<u>232,874</u>	<u>887,998</u>
Total Deferred Inflows of Resources	<u>4,621,461</u>	<u>232,874</u>	<u>4,854,335</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	8,072,896	14,942,530	23,015,426
Restricted for:			
Public Safety Services	622,523	-	622,523
Transportation	1,055,139	-	1,055,139
Street Lights	282,802	-	282,802
Debt Service	3,017	-	3,017
Other Purposes	32,722	-	32,722
Unrestricted	<u>(5,273,437)</u>	<u>432,222</u>	<u>(4,841,215)</u>
Total Net Position	<u>\$ 4,795,662</u>	<u>15,374,752</u>	<u>20,170,414</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs:</b>							
Governmental Activities:							
Security of Persons and Property	\$ 2,722,186	500,524	361,416	105,541	(1,754,705)		(1,754,705)
Public Health Services	27,652	20,192	-	-	(7,460)		(7,460)
Leisure Time Activities	78,644	926	-	-	(77,718)		(77,718)
Community Environment	645,725	616,819	-	-	(28,906)		(28,906)
Transportation	703,016	-	536,873	-	(166,143)		(166,143)
Economic Development	284,529	-	-	-	(284,529)		(284,529)
General Government	1,449,794	155,373	92,699	65,528	(1,136,194)		(1,136,194)
Interest and Fiscal Charges	19,685	-	-	-	(19,685)		(19,685)
Total Governmental Activities	5,931,231	1,293,834	990,988	171,069	(3,475,340)		(3,475,340)
Business-Type Activities:							
Water	755,468	637,569	-	-		(117,899)	(117,899)
Sewer	847,957	1,098,707	-	-		250,750	250,750
Stormwater	235,708	141,786	-	-		(93,922)	(93,922)
Total Business-Type Activities	1,839,133	1,878,062	-	-		38,929	38,929
Total	7,770,364	3,171,896	990,988	171,069	(3,475,340)	38,929	(3,436,411)
General Revenues and Transfers:							
Taxes:							
Income Taxes for General Operations					1,742,557	-	1,742,557
Property Taxes, Levied for:							
General Operations					175,905	-	175,905
Security of Persons and Property					1,783,496	-	1,783,496
Transportation					254,078	-	254,078
TIF Service Payments					1,879,752	-	1,879,752
Grants and Contributions not Restricted to Specific Programs					147,264	-	147,264
Investment Income					18,073	11,261	29,334
Other Revenue					375,607	25,452	401,059
Transfers					(277,578)	277,578	-
Total General Revenues and Transfers					6,099,154	314,291	6,413,445
Change in Net Position					2,623,814	353,220	2,977,034
Net Position, Beginning of Year					2,171,848	15,021,532	17,193,380
Net Position, End of Year					\$ 4,795,662	15,374,752	20,170,414

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**

Balance Sheet  
Governmental Funds  
December 31, 2020

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,320,709	198,813	300,144	1,363
Receivables:				
Taxes	607,389	1,016,092	664,513	-
Accounts	20,065	-	36,960	-
Special Assessments	30,488	-	-	-
TIF	-	-	-	1,870,296
Intergovernmental	69,765	74,414	37,481	-
Prepaid Items	8,801	2,676	831	-
Materials and Supplies Inventory	8,724	-	360	-
Restricted Cash with Fiscal Agent	-	-	-	542,116
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	\$ <u>2,065,941</u>	<u>1,291,995</u>	<u>1,040,289</u>	<u>2,413,775</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 326	-	-	-
Accrued Wages and Benefits	3,991	7,478	14,219	-
Due to Other Governments	559	1,458	3,413	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	4,876	8,936	17,632	-
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Property Taxes	190,386	989,948	647,707	-
TIF	-	-	-	1,870,296
Unavailable Revenue	395,004	93,668	91,247	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Deferred Inflows of Resources	585,390	1,083,616	738,954	1,870,296
<b>FUND BALANCES:</b>				
Nonspendable:				
Prepaid Items	8,801	2,676	831	-
Material and Supplies Inventory	8,724	-	360	-
Restricted:				
Security of Person and Property	-	196,767	282,512	-
Street Repair and Maintenance	-	-	-	-
Street Lighting	-	-	-	-
Economic Development	-	-	-	543,479
Debt Service	-	-	-	-
Other	-	-	-	-
Committed:				
Community Environment	-	-	-	-
Assigned:				
Recreation Programs	24,164	-	-	-
Subsequent Purchases	22,100	-	-	-
Subsequent Appropriations	662,000	-	-	-
Unassigned	749,886	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	1,475,675	199,443	283,703	543,479
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>2,065,941</u>	<u>1,291,995</u>	<u>1,040,289</u>	<u>2,413,775</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
December 31, 2020

Nonmajor Governmental Funds	Total Governmental Funds		\$
1,191,577	3,012,606	Total Governmental Fund Balances	3,757,007
275,265	2,563,259	<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
53,652	110,677	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	11,463,713
390,530	421,018	Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.	
-	1,870,296	Income Taxes	281,820
255,273	436,933	Property Taxes	52,386
610	12,918	Intergovernmental	383,392
24,158	33,242	Charges for Services	57,025
-	542,116	Special Assessments	421,018
2,191,065	9,003,065	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
46,604	46,930	General Obligation Bonds	(570,000)
5,291	30,979	Unamortized Bond Premium	(20,954)
741	6,171	Accrued Interest Payable	(1,333)
52,636	84,080	Capital Lease Obligation	(113,457)
268,000	2,096,041	Intergovernmental Commitment	(7,231,544)
-	1,870,296	Compensated Absences	(236,313)
615,722	1,195,641	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:	
883,722	5,161,978	Deferred Outflows - Pension and OPEB	1,104,862
610	12,918	Deferred Inflows - Pension and OPEB	(655,124)
24,158	33,242	Net OPEB Liability	(1,087,203)
3,051	482,330	Net Pension Liability	(2,809,633)
809,299	809,299	Net Position of Governmental Activities	\$ 4,795,662
317,535	317,535		
-	543,479		
4,350	4,350		
36,063	36,063		
59,641	59,641		
-	24,164		
-	22,100		
-	662,000		
-	749,886		
1,254,707	3,757,007		
2,191,065	9,003,065		

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, 2020

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund
<b>REVENUES:</b>				
Income Taxes	\$ 1,680,510	-	-	-
Property Taxes	175,974	1,047,394	684,621	-
TIF Service Payments	-	-	-	1,879,752
Intergovernmental Revenue	143,499	141,086	83,055	-
Charges for Services	103,401	6,890	173,702	-
Special Assessments	-	-	-	-
Fines, Licenses and Permits	56,096	-	-	-
Investment Income	8,408	1,323	1,626	320
Other Revenue	251,578	62,993	25,299	-
<b>Total Revenues</b>	<u>2,419,466</u>	<u>1,259,686</u>	<u>968,303</u>	<u>1,880,072</u>
<b>EXPENDITURES:</b>				
Current:				
Security of Persons and Property	-	1,169,101	726,175	-
Public Health Services	-	-	-	-
Leisure Time Activities	70,280	-	-	-
Community Environment	-	-	-	-
Transportation	-	-	-	-
Economic Development	-	-	-	1,604,745
General Government	1,096,051	-	-	-
Capital Outlay	1,120,134	44,860	51,312	134,284
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Expenditures</b>	<u>2,286,465</u>	<u>1,213,961</u>	<u>777,487</u>	<u>1,739,029</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>133,001</u>	<u>45,725</u>	<u>190,816</u>	<u>141,043</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sale of Assets	-	3,165	-	-
Transfers In	-	-	-	-
Transfers Out	(20,000)	(21,650)	(101,450)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(20,000)</u>	<u>(18,485)</u>	<u>(101,450)</u>	<u>-</u>
Net Change in Fund Balances	113,001	27,240	89,366	141,043
Fund Balance, Beginning of Year	1,362,674	172,203	194,337	402,436
Fund Balance, End of Year	\$ <u>1,475,675</u>	<u>199,443</u>	<u>283,703</u>	<u>543,479</u>

See accompanying notes to the basic financial statements.

**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, 2020

Nonmajor Governmental Funds	Total Governmental Funds		
-	1,680,510	Total Net Change in Fund Balances - Governmental Funds	\$ 663,734
279,513	2,187,502	Amounts reported for governmental activities in the statement of activities are different because:	
-	1,879,752	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.	
906,697	1,274,337	Capital Asset Additions	1,306,910
637,011	921,004	Current Year Depreciation	(424,318)
376,363	376,363	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	63,379
-	56,096	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.	116,938
6,396	18,073	Contractually required payments to the Montgomery County Transportation Improvement District are recorded as economic development expenditures in the funds; however on the statement of net position, a portion of those expenditures reduces the City's long-term intergovernmental commitment.	1,320,216
29,572	369,442	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:	
2,235,552	8,763,079	Compensated Absences	(36,981)
		Accrued Interest	175
		Amortization of Bond Premium	3,029
		Contractually required contributions to pension and OPEB plans are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	252,919
502,225	2,397,501	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.	(642,187)
24,858	24,858	Change in Net Position of Governmental Activities	\$ <u>2,623,814</u>
-	70,280		
636,742	636,742		
466,714	466,714		
-	1,604,745		
84,304	1,180,355		
233,898	1,584,488		
116,938	116,938		
22,889	22,889		
2,088,568	8,105,510		
146,984	657,569		
3,000	6,165		
143,100	143,100		
-	(143,100)		
146,100	6,165		
293,084	663,734		
961,623	3,093,273		
1,254,707	3,757,007		

See accompanying notes to the basic financial statements.



**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**

Statement of Fund Net Position  
Enterprise Funds  
December 31, 2020

	Water	Sewer	Stormwater	Total
<b>Assets:</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 767,594	588,311	108,837	1,464,742
Accounts Receivable	46,015	70,332	11,731	128,078
Supplies Inventory	3,120	-	-	3,120
Prepaid Items	610	610	610	1,830
Total Current Assets	<u>817,339</u>	<u>659,253</u>	<u>121,178</u>	<u>1,597,770</u>
Non-current Assets:				
Construction in Progress	280,686	4,042,282	155,759	4,478,727
Depreciable Capital Assets, net	6,370,779	5,392,316	5,054,955	16,818,050
Total Non-current Assets	<u>6,651,465</u>	<u>9,434,598</u>	<u>5,210,714</u>	<u>21,296,777</u>
Total Assets	<u>7,468,804</u>	<u>10,093,851</u>	<u>5,331,892</u>	<u>22,894,547</u>
<b>Deferred Outflows of Resources:</b>				
Pension and OPEB	47,788	92,693	10,106	150,587
Total Deferred Outflows of Resources	<u>47,788</u>	<u>92,693</u>	<u>10,106</u>	<u>150,587</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	1,282	-	-	1,282
Accrued Wages and Benefits	4,414	3,198	443	8,055
Accrued Interest Payable	-	9,500	-	9,500
Due to Other Governments	618	448	62	1,128
Compensated Absences Payable	22,060	19,033	3,370	44,463
Issue II Loans Payable	102,228	36,124	6,646	144,998
Capital Lease Payable	11,939	11,940	11,939	35,818
General Obligation Bonds Payable	-	235,000	-	235,000
Total Current Liabilities	<u>142,541</u>	<u>315,243</u>	<u>22,460</u>	<u>480,244</u>
Long Term Liabilities:				
Compensated Absences Payable	43,032	37,128	6,574	86,734
Issue II Loans Payable	1,990,014	277,644	152,027	2,419,685
Capital Lease Payable	56,651	56,597	56,048	169,296
General Obligation Bonds Payable	-	3,349,450	-	3,349,450
Net OPEB Liability	139,104	203,255	22,286	364,645
Net Pension Liability	232,315	298,900	36,239	567,454
Total Long Term Liabilities	<u>2,461,116</u>	<u>4,222,974</u>	<u>273,174</u>	<u>6,957,264</u>
Total Liabilities	<u>2,603,657</u>	<u>4,538,217</u>	<u>295,634</u>	<u>7,437,508</u>
<b>Deferred Inflows of Resources:</b>				
Pension and OPEB	95,267	119,413	18,194	232,874
Total Deferred Inflows of Resources	<u>95,267</u>	<u>119,413</u>	<u>18,194</u>	<u>232,874</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	4,490,633	5,467,843	4,984,054	14,942,530
Unrestricted	327,035	61,071	44,116	432,222
Total Net Position	<u>\$ 4,817,668</u>	<u>5,528,914</u>	<u>5,028,170</u>	<u>15,374,752</u>

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, 2020

	Water	Sewer	Stormwater	Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 612,935	1,068,551	137,132	1,818,618
Tap-In Fees	10,000	12,000	-	22,000
Other Operating Revenue	14,634	18,156	4,654	37,444
Total Operating Revenue	<u>637,569</u>	<u>1,098,707</u>	<u>141,786</u>	<u>1,878,062</u>
<b>Operating Expenses:</b>				
Personal Services	346,901	336,418	70,956	754,275
Contractual Services	104,068	105,854	10,680	220,602
Supplies and Materials	33,925	45,984	2,325	82,234
Other Expenses	31,101	5,407	229	36,737
Depreciation	236,985	244,494	149,030	630,509
Total Operating Expenses	<u>752,980</u>	<u>738,157</u>	<u>233,220</u>	<u>1,724,357</u>
Operating Income (Loss)	<u>(115,411)</u>	<u>360,550</u>	<u>(91,434)</u>	<u>153,705</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest	5,238	5,509	514	11,261
Interest and Fiscal Charges	(2,488)	(109,800)	(2,488)	(114,776)
Property Rental Revenue	20,990	4,462	-	25,452
Total Non-Operating Revenues (Expenses)	<u>23,740</u>	<u>(99,829)</u>	<u>(1,974)</u>	<u>(78,063)</u>
Income (Loss) Before Capital Contributions	(91,671)	260,721	(93,408)	75,642
Capital Contributions	<u>96,819</u>	<u>25,000</u>	<u>155,759</u>	<u>277,578</u>
Change in Net Position	5,148	285,721	62,351	353,220
Net Position at Beginning of Year	<u>4,812,520</u>	<u>5,243,193</u>	<u>4,965,819</u>	<u>15,021,532</u>
Net Position at End of Year	<u>\$ 4,817,668</u>	<u>5,528,914</u>	<u>5,028,170</u>	<u>15,374,752</u>

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, 2020

	Water	Sewer	Stormwater	Total
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 642,958	1,100,777	141,583	1,885,318
Cash Payments to Employees for Services and Benefits	(289,411)	(291,617)	(73,276)	(654,304)
Cash Payments to Suppliers for Goods and Services	(169,370)	(157,271)	(2,554)	(329,195)
Net Cash Provided by Operating Activities	184,177	651,889	65,753	901,819
<b>Cash Flows from Noncapital Financing Activities:</b>				
Property Rental Receipts	20,990	4,462	-	25,452
Net Cash Provided by Noncapital Financing Activities	20,990	4,462	-	25,452
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(324,600)	(581,195)	(10,527)	(916,322)
Proceeds from Loans and Notes	143,959	-	-	143,959
Principal Paid on Capital Leases	(11,584)	(11,585)	(11,584)	(34,753)
Principal Paid on Bonds	-	(230,000)	-	(230,000)
Principal Paid on Loans	(99,117)	(36,124)	(6,647)	(141,888)
Interest Paid	(2,488)	(121,087)	(2,488)	(126,063)
Net Cash Used in Capital and Related Financing Activities	(293,830)	(979,991)	(31,246)	(1,305,067)
<b>Cash Flows from Investing Activities:</b>				
Interest	5,238	5,509	514	11,261
Net Cash Provided by Investing Activities	5,238	5,509	514	11,261
Net Increase (Decrease) in Cash and Cash Equivalents	(83,425)	(318,131)	35,021	(366,535)
Cash and Cash Equivalents Beginning of Year	851,019	906,442	73,816	1,831,277
Cash and Cash Equivalents End of Year	\$ 767,594	588,311	108,837	1,464,742
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>				
<b>Operating Income (Loss)</b>	\$ (115,411)	360,550	(91,434)	153,705
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	236,985	244,494	149,030	630,509
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	5,389	2,070	(203)	7,256
(Increase) Decrease in Supplies Inventory	(282)	-	-	(282)
(Increase) Decrease in Prepaid Items	(26)	(26)	(26)	(78)
(Increase) Decrease in Deferred Outflows	69,132	71,133	10,586	150,851
Increase (Decrease) in Accounts Payable	32	-	-	32
Increase (Decrease) in Accrued Salaries Payable	3,518	1,867	223	5,608
Increase (Decrease) in Due to Other Governments	493	262	31	786
Increase (Decrease) in Compensated Absences Payable	14,413	1,598	2,191	18,202
Increase (Decrease) in Net OPEB Liability	8,733	8,731	1,349	18,813
Increase (Decrease) in Net Pension Liability	(111,029)	(111,001)	(17,153)	(239,183)
Increase (Decrease) in Deferred Inflows	72,230	72,211	11,159	155,600
Net Cash Provided by Operating Activities	\$ 184,177	651,889	65,753	901,819
<b>Capital and Related Financing Activities - Noncash Activity:</b>				
For 2020:				
Capital assets financed from governmental funds	\$ 96,819	\$ 25,000	\$ 155,759	\$ 277,578

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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".



CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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 2020. 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, 2020. 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 \$100 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 2020 amounted to \$18,073 and \$11,261 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, 2020, 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 expensed.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions and Other Postemployment Benefits (OPEB)

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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, 2020, none of the reported \$2.0 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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In May 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provided temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that were scheduled to be implemented for periods being after June 15, 2018 and later.

GASB Statement No. 95 implementation resulted in the following guidance being postponed by one year for the City: GASB Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*; and GASB Statement No 93, *Replacement of Interbank Offered Rates*.

Furthermore, GASB Statement No. 95 postponed the implementation of GASB Statement No. 87, *Leases*, for the City by eighteen (18) months.

NOTE 4 - DEPOSITS AND INVESTMENTS

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

***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 \$326,537 and the bank balance was \$637,623. At December 31, 2020, \$387,623 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 \$4,150,811. 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 2020 for real and public utility property taxes represents collections of the 2019 taxes.

The 2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2020 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. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in the subsequent year along with real property taxes.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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NOTE 5 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2020 was \$23.53 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2020 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 108,190,560
Public Utility Tangible Personal Property Assessed Valuation	<u>2,246,420</u>
Total Assessed Valuation	<u>\$ 110,436,980</u>

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, 2020, 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 2020 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

Effective January 1, 2020, the City’s income tax rate increased to 1.5 percent on substantially all income earned within the City based on voter approval in November 2019. The previous income tax rate was 1.0 percent. 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.

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CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 1,430,709	6,100	-	\$ 1,436,809
Construction in Progress	412,204	297,123	-	709,327
Total Non-depreciable capital assets	1,842,913	303,223	-	2,146,136
Depreciable capital assets:				
Buildings	2,445,079	32,031	-	2,477,110
Equipment	3,864,111	189,488	-	4,053,599
Infrastructure	6,241,234	580,853	-	6,822,087
Improvements	272,932	-	-	272,932
Vehicles	2,096,331	201,315	-	2,297,646
Total depreciable capital assets	14,919,687	1,003,687	-	15,923,374
Less: accumulated depreciation				
Buildings	(865,654)	(56,207)	-	(921,861)
Equipment	(2,927,923)	(123,855)	-	(3,051,778)
Infrastructure	(526,024)	(140,683)	-	(666,707)
Improvements	(67,108)	(10,467)	-	(77,575)
Vehicles	(1,794,770)	(93,106)	-	(1,887,876)
Total accumulated depreciation	(6,181,479)	(424,318) *	-	(6,605,797)
Depreciable capital assets, net	8,738,208	579,369	-	9,317,577
Governmental Activities				
Capital Assets, Net	\$ 10,581,121	882,592	-	\$ 11,463,713

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

General Government	\$ 144,268
Security of Persons and Property	80,621
Transportation	199,429
Total Depreciation Expense	<u>\$ 424,318</u>



CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020
Business-Type Activities:				
Non-depreciable capital assets:				
Construction in Progress	\$ 3,711,191	1,058,870	(291,334)	\$ 4,478,727
Depreciable capital assets:				
Buildings	3,231,329	-	-	3,231,329
Equipment	2,092,609	81,325	-	2,173,934
Infrastructure	22,952,770	345,039	-	23,297,809
Improvements	31,921	-	-	31,921
Vehicles	197,982	-	-	197,982
Total depreciable capital assets	28,506,611	426,364	-	28,932,975
Less: accumulated depreciation				
Buildings	(2,756,277)	(56,060)	-	(2,812,337)
Equipment	(1,128,265)	(94,804)	-	(1,223,069)
Infrastructure	(7,438,369)	(466,910)	-	(7,905,279)
Improvements	(6,847)	(722)	-	(7,569)
Vehicles	(154,658)	(12,013)	-	(166,671)
Total accumulated depreciation	(11,484,416)	(630,509) *	-	(12,114,925)
Depreciable capital assets, net	17,022,195	(204,145)	-	16,818,050
Business-Type Activities				
Capital Assets, Net	\$ 20,733,386	854,725	(291,334)	\$ 21,296,777

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

Water	\$ 236,985
Sewer	244,494
Stormwater	149,030
Total Depreciation Expense	<u>\$ 630,509</u>

NOTE 8 - RECEIVABLES

Receivables at December 31, 2020 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, 2020 were \$128,078.

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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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' financial report referenced above for additional information):

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2103
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit.	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit.	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit.
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.	<b>Formula:</b> 2.2% of FAS multiplied by years o service for the first 35 years and 2.5% for service years in excess of 35 years.

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 2020, 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 \$188,652 for 2020. Of this amount, \$2,427 is reported in the due to other governments liability.

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](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, OH 43215-5164.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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:

	<u>Police</u>
<b>2020 Statutory Maximum Contribution Rates</b>	
Employer	19.50%
Employee	12.25%
<b>2020 Actual Contribution Rates</b>	
Employer:	
Pension	19.00%
Post-employment Health Care Benefits	<u>0.50%</u>
Total Employer	<u>19.50%</u>
Employee	<u>12.25%</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$120,896 for 2020. Of this amount, \$4,746 is reported in the due to other governments liability.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2019 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,897,485	\$ 1,479,602	\$ 3,377,087
Proportion of the net pension liability			
Current measurement date	0.009600%	0.021964%	
Prior measurement date	<u>0.009683%</u>	<u>0.017359%</u>	
Change in proportionate share	<u>-0.000083%</u>	<u>0.004605%</u>	
Pension expense	\$ 315,754	\$ 289,675	\$ 605,429

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Difference between expected and actual experience	\$ -	\$ 56,009	\$ 56,009
Change in assumptions	101,348	36,320	137,668
Change in City's proportionate share and difference in employer contributions	-	330,317	330,317
City contributions subsequent to the measurement date	<u>188,652</u>	<u>120,896</u>	<u>309,548</u>
Total	<u>\$ 290,000</u>	<u>\$ 543,542</u>	<u>\$ 833,542</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 23,991	\$ 76,308	\$ 100,299
Net difference between projected and actual earnings on pension plan investments	378,506	71,476	449,982
Change in City's proportionate share and difference in employer contributions	<u>48,224</u>	<u>3,891</u>	<u>52,115</u>
Total	<u>\$ 450,721</u>	<u>\$ 151,675</u>	<u>\$ 602,396</u>

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

\$309,548 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, 2021. 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:			
2021	\$ (88,612)	\$ 72,420	\$ (16,192)
2022	(126,143)	84,221	(41,922)
2023	15,674	105,472	121,146
2024	(150,292)	(5,742)	(156,034)
2025	-	14,600	14,600
	\$ (349,373)	\$ 270,971	\$ (78,402)

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, 2019 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: 1.4% simple through 2020, then 2.15% simple
Investment rate of return:	
Current measurement period	7.20%
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.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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 2019, 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 17.2% for 2019.

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 2019 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	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
Total	100.00%	5.61%

**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.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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	\$ 3,129,674	\$ 1,897,485	\$ 789,907

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, 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, 2019, are presented below:

Valuation date	January 1, 2019 with actuarial liabilities rolled forward to December 31, 2019
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%



CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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 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 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, 2019 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	1.00%
Domestic equity	16.0%	5.40%
Non-U.S. equity	16.0%	5.80%
Private markets	8.0%	8.00%
Core fixed income*	23.0%	2.70%
High yield fixed income	7.0%	4.70%
Private credit	5.0%	5.50%
U.S. inflation linked bonds*	17.0%	2.50%
Master limited partnerships	8.0%	6.60%
Real assets	8.0%	7.40%
Private real estate	12.0%	6.40%
	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.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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	\$ 2,050,677	\$ 1,479,602	\$ 1,001,955

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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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' financial report referenced below for additional information.

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

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 2020, 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 2020. 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 2020 was 4.0%.

For the year ended December 31, 2020, OPERS did not allocate any of the City's 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. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees.

On January 1, 2019, OP&F changed the way it supports retiree health care. A stipend-based health care model has replaced the self-insured group health care plan that had been in place. OP&F has contracted with a vendor who can assist eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a health reimbursement arrangement and can be used to reimburse retirees for qualified health care expenses.

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](http://www.op-f.org) or by writing to Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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% of covered payroll for police units. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police 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 2020, 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 \$3,181 for 2020. Of this amount, \$125 is reported in the due to other governments liability.

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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019 and was determined by rolling forward the total OPEB liability as of January 1, 2019 to December 31, 2019. 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:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportionate share of the net OPEB liability	\$ 1,234,895	\$ 216,953	\$ 1,451,848
Proportion of the net OPEB liability			
Current measurement date	0.008940%	0.021964%	
Prior measurement date	0.009017%	0.017359%	
Change in proportionate share	<u>-0.000077%</u>	<u>0.004605%</u>	
OPEB expense (negative expense)	\$ 142,968	\$ 39,681	\$ 182,649

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Difference between expected and actual experience	\$ 33	\$ -	\$ 33
Change in assumptions	195,471	126,839	322,310
Change in City's proportionate share and difference in employer contributions	2,957	93,426	96,383
City contributions subsequent to the measurement date	-	3,181	3,181
Total	<u>\$ 198,461</u>	<u>\$ 223,446</u>	<u>\$ 421,907</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 112,937	\$ 23,331	\$ 136,268
Net difference between projected and actual earnings on OPEB plan investments	62,881	9,984	72,865
Change in assumptions	-	46,238	46,238
Change in City's proportionate share and difference in employer contributions	30,231	-	30,231
Total	<u>\$ 206,049</u>	<u>\$ 79,553</u>	<u>\$ 285,602</u>

\$3,181 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Fiscal Year Ending December 31:			
2021	\$ 7,475	\$ 25,770	\$ 33,245
2022	11,756	25,770	37,526
2023	50	27,818	27,868
2024	(26,869)	24,590	(2,279)
2025	-	25,144	25,144
Thereafter	-	11,620	11,620
	<u>\$ (7,588)</u>	<u>\$ 140,712</u>	<u>\$ 133,124</u>

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.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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 OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Single discount rate:	
Current measurement period	3.16%
Prior measurement period	3.96%
Investment rate of return:	
Current measurement period	6.00%
Prior measurement period	6.00%
Municipal bond rate:	
Current measurement period	2.75%
Prior measurement period	3.71%
Health care cost trend rate:	
Current measurement period	10.5% initial, 3.50% ultimate in 2030
Prior measurement period	10.0% initial, 3.25% ultimate in 2029
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.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 10 - DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS  
 (continued)

During 2019, 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 19.7% for 2019.

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 2019 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	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	<u>4.90%</u>
Total	<u>100.00%</u>	<u>4.55%</u>

**Discount Rate.** A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.



CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 3.16%, 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 (2.16%) or 1.0% point higher (4.16%) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$ 1,616,011	\$ 1,234,895	\$ 929,680

***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 2020 is 10.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,198,419	\$ 1,234,895	\$ 1,270,834

***Changes Subsequent to the Measurement Date.*** On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current measurement period, but are expected to decrease the associated OPEB liability.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 10 - DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

(continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019 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.

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, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Municipal bond rate:	
Current measurement date	2.75%
Prior measurement date	4.13%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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.

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, 2019 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	1.00%
Domestic equity	16.0%	5.40%
Non-U.S. equity	16.0%	5.80%
Private markets	8.0%	8.00%
Core fixed income*	23.0%	2.70%
High yield fixed income	7.0%	4.70%
Private credit	5.0%	5.50%
U.S. inflation linked bonds*	17.0%	2.50%
Master limited partnerships	8.0%	6.60%
Real assets	8.0%	7.40%
Private real estate	12.0%	6.40%
Total	120.00%	

*Note: Assumptions are geometric. \* Levered 2x*

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

**Discount Rate.** Total OPEB liability was calculated using the discount rate of 3.56%. 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 2.75% at December 31, 2019 and 4.13% at December 31, 2018 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 3.56% at December 31, 2019 and 4.66% at December 31, 2018.

**Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 3.56%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.56%) and 1% point higher (4.56%) than the current discount rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$ 269,008	\$ 216,953	\$ 173,699

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 \$205,128 at December 31, 2020.

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, 2020 was \$162,382.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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 2020 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:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
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	11,565,858	1,000
Terrorism	14,356,639	25,000
Equipment	11,915,295	1,000
Special Property	1,794,832	1,000
Crime	100,000	1,000
Cyber	500,000	25,000
EDP	110,664	1,000
Malicious Assailant	1,000,000	25,000

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 2020, the City provided employee medical insurance benefits through United HealthCare. 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 \$750. If the money set aside is not depleted, the City places the excess into a savings account. In 2020, the City made no contributions to or withdrawals from the savings account and the account has an approximate balance of \$138,000. 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 2020 for capital leases were \$46,691.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020.

Year ending December 31,	Capital Lease Obligation
2021	\$ 58,940
2022	58,939
2023	58,940
2024	58,940
2025	58,940
2026-2028	66,024
Total minimum lease payments	360,723
Less: Amount representing interest	(42,152)
Minimum lease payments	<u>\$ 318,571</u>

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2019	Additions	Deletions	Balance 12/31/2020	Amount Due In One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 675,000	\$ -	\$ (105,000)	\$ 570,000	\$ 110,000
Bond Premiums	23,983	-	(3,029)	20,954	-
Other Obligations:					
Capital lease obligation	125,395	-	(11,938)	113,457	12,393
Intergovernmental Commitment	8,551,760	-	(1,320,216)	7,231,544	1,357,702
Compensated Absences	199,332	104,534	(67,553)	236,313	86,321
Net Pension Liability:					
OPERS	1,845,291	-	(515,260)	1,330,031	-
OP&F	1,406,942	72,660	-	1,479,602	-
Net OPEB Liability:					
OPERS	829,722	40,528	-	870,250	-
OP&F	158,079	58,874	-	216,953	-
Total governmental activities	<u>\$ 13,815,504</u>	<u>\$ 276,596</u>	<u>\$ (2,022,996)</u>	<u>\$ 12,069,104</u>	<u>\$ 1,566,416</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 3,630,000	\$ -	\$ (230,000)	\$ 3,400,000	\$ 235,000
Bond Premiums	195,354	-	(10,904)	184,450	-
OPWC Loans - Direct Borrowing	2,562,612	143,959	(141,888)	2,564,683	144,998
Other Obligations:					
Capital lease obligation	239,867	-	(34,753)	205,114	35,818
Compensated Absences	112,995	56,495	(38,293)	131,197	44,463
Net Pension Liability:					
OPERS	806,637	-	(239,183)	567,454	-
Net OPEB Liability:					
OPERS	345,832	18,813	-	364,645	-
Total business-type activities	<u>\$ 7,893,297</u>	<u>\$ 219,267</u>	<u>\$ (695,021)</u>	<u>\$ 7,417,543</u>	<u>\$ 460,279</u>

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

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:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	75,000	7,200	195,000	90,850
2026-2030	165,000	7,500	915,000	367,550
2031-2035	-	-	990,000	210,875
2036-2037	-	-	450,000	27,200
Total	<u>\$ 570,000</u>	<u>\$ 65,650</u>	<u>\$ 3,400,000</u>	<u>\$ 1,118,425</u>

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	2050	Water Fund
Concord West Channel Rehabilitation	2012	50,000	2042	Storm Water Fund
Storm Sewer Lateral and Basin - Phase I	2015	149,397	2045	Storm Water Fund

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Year	Business-Type Activities		Year	Principal
	Principal			
2021	\$ 144,998		2026-2030	643,019
2022	144,999		2031-2035	486,944
2023	141,768		2036-2040	443,143
2024	138,540		2041-2045	198,793
2025	138,539		2046-2050	83,940
		Total		\$ 2,564,683

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. In 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 total of which equaled the long-term intergovernmental commitment of \$8,551,760 recorded by the City in 2019. The expected future payments associated with this intergovernmental commitment are as follows:

Year	Governmental Activities	
	Principal	Interest
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	\$ 7,231,544	\$ 633,988

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.



CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15 - INTERFUND TRANSFERS AND BALANCES

The City had the following transfers during 2020:

Transfer from Fund	Transfer to Fund	Amount
General	Other Governmental	\$ 20,000
Police	Other Governmental	21,650
Fire/EMS	Other Governmental	101,450
		\$ 143,100

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.

On the Statement of Activities, transfers from the governmental funds to the business-type activities include \$277,578 of capital assets financed through governmental funds, including the restricted cash held by the MCTID reported in the City's TIF Fund, which were subsequently transferred to the appropriate utility funds.

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2020 to December 31, 2020 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, 2020, there were \$173,953 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 Sewer Fund projects noted above, \$173,953, as well as \$22,100 reported in the General Fund.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

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NOTE 18 – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment facilities and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. At this time, the City has not applied for, nor does it have, an approved permit from Ohio EPA to dispose of all or part of their sewage treatment plant. Due to the lack of specific legal requirements for retiring the sewage treatment plant, the City has determined that the amount of the Asset Retirement Obligation cannot be reasonably estimated at this time.

NOTE 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the City. The ultimate impact on the City's future operating costs, receipts, and any recovery from emergency funding, either federal or state, cannot be reasonably estimated at this time.

NOTE 20 – SUBSEQUENT EVENT

In March of 2021, the City Council approved management to initiate the necessary legislation to accept, at the time it is offered, the donation of 300 acres of land and the associated aquifer. The City is considering the available uses for this property including recreational and economic development opportunities. As of the date of these financial statements, no value has been established for the property.

**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 Seven 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%
2020	0.009600%	1,897,485	1,350,693	140.48%	82.17%

(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 Seven Years (1) (2)

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	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%
2020	0.021964%	1,479,602	567,032	260.94%	69.89%

(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 Eight Years (1)

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	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%
2020	188,652	(188,652)	-	1,347,514	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 Eight 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%
2020	120,896	(120,896)	-	636,295	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 Four 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%
2020	0.008940%	1,234,895	1,350,693	91.43%	47.80%

(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.

In 2020, the single discount rate changed from 3.96% to 3.16% and the health care cost trend rate changed from 10.0% initial, 3.25% ultimate in 2029 to 10.5% initial, 3.50% ultimate in 2030.



**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**

Required Supplementary Information  
Schedule of City's Proportionate Share of the Net OPEB Liability  
Ohio Police and Fire Pension Fund  
Last Four 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%
2020	0.021964%	216,953	567,032	38.26%	47.08%

(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%.

In 2020, the single discount rate changed from 4.66% to 3.56%.

*Change in benefits.* Beginning 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 are placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**

Required Supplementary Information  
Schedule of City OPEB Contributions  
Ohio Public Employees Retirement System  
Last Six Years (1)

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	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%
2020	-	-	-	1,347,514	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 Six Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2020	3,181	(3,181)	-	636,295	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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Property Taxes	\$ 174,800	174,800	175,974	1,174
Municipal Income Taxes	1,650,000	1,650,000	1,619,666	(30,334)
Intergovernmental Revenue	153,000	153,000	142,761	(10,239)
Charges for Services	70,000	70,000	103,375	33,375
Fines, Licenses and Permits	43,650	43,650	55,741	12,091
Investment Income	5,000	5,000	7,270	2,270
Other Revenue	90,000	90,000	354,256	264,256
Total Revenues	<u>2,186,450</u>	<u>2,186,450</u>	<u>2,459,043</u>	<u>272,593</u>
<b>Expenditures:</b>				
Current:				
General Government	1,363,014	1,363,014	1,168,450	194,564
Capital Outlay	1,529,436	1,529,436	1,176,162	353,274
Total Expenditures	<u>2,892,450</u>	<u>2,892,450</u>	<u>2,344,612</u>	<u>547,838</u>
Excess of Revenues Over (Under) Expenditures	<u>(706,000)</u>	<u>(706,000)</u>	<u>114,431</u>	<u>820,431</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(120,000)	(120,000)	(120,000)	-
Total Other Financing Sources (Uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Net Change in Fund Balance	(826,000)	(826,000)	(5,569)	820,431
Fund Balance, Beginning of Year	1,238,816	1,238,816	1,238,816	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance, End of Year	<u>\$ 412,816</u>	<u>412,816</u>	<u>1,233,247</u>	<u>820,431</u>

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Property Taxes	\$ 1,038,000	1,038,000	1,047,394	9,394
Intergovernmental Revenue	139,000	139,000	141,086	2,086
Investment Income	1,000	1,000	1,323	323
Other Revenue	-	-	62,991	62,991
Total Revenues	<u>1,178,000</u>	<u>1,178,000</u>	<u>1,252,794</u>	<u>74,794</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,131,095	1,131,095	1,156,082	(24,987)
Capital Outlay	156,255	156,255	55,847	100,408
Total Expenditures	<u>1,287,350</u>	<u>1,287,350</u>	<u>1,211,929</u>	<u>75,421</u>
Excess of Revenues Over (Under) Expenditures	<u>(109,350)</u>	<u>(109,350)</u>	<u>40,865</u>	<u>150,215</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	-	-	3,165	3,165
Transfers Out	(21,650)	(21,650)	(21,650)	-
Total Other Financing Sources (Uses)	<u>(21,650)</u>	<u>(21,650)</u>	<u>(18,485)</u>	<u>3,165</u>
Net Change in Fund Balance	(131,000)	(131,000)	22,380	153,380
Fund Balance, Beginning of Year	<u>142,755</u>	<u>142,755</u>	<u>142,755</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 11,755</u>	<u>11,755</u>	<u>165,135</u>	<u>153,380</u>

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 678,000	678,000	684,621	6,621
Intergovernmental Revenue	80,000	80,000	83,055	3,055
Charges for Services	165,000	165,000	173,702	8,702
Investment Income	500	500	1,321	821
Other Revenue	-	-	25,298	25,298
Total Revenues	<u>923,500</u>	<u>923,500</u>	<u>967,997</u>	<u>44,497</u>
Expenditures:				
Current:				
Security of Persons and Property	719,365	714,365	708,322	6,043
Capital Outlay	135,185	135,185	62,938	72,247
Total Expenditures	<u>854,550</u>	<u>849,550</u>	<u>771,260</u>	<u>78,290</u>
Excess of Revenues Over (Under) Expenditures	<u>68,950</u>	<u>73,950</u>	<u>196,737</u>	<u>122,787</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(121,450)</u>	<u>(126,450)</u>	<u>(121,450)</u>	<u>5,000</u>
Total Other Financing Sources (Uses)	<u>(121,450)</u>	<u>(126,450)</u>	<u>(121,450)</u>	<u>5,000</u>
Net Change in Fund Balance	(52,500)	(52,500)	75,287	127,787
Fund Balance, Beginning of Year	<u>145,401</u>	<u>145,401</u>	<u>145,401</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 92,901</u>	<u>92,901</u>	<u>220,688</u>	<u>127,787</u>

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
TIF Service Payments	\$ 1,895,000	1,895,000	1,879,752	(15,248)
Investment Income	-	-	8	8
Total Revenues	1,895,000	1,895,000	1,879,760	(15,240)
Expenditures:				
Current:				
Economic Development	1,895,465	1,881,113	1,879,752	1,361
Total Expenditures	1,895,465	1,881,113	1,879,752	1,361
Net Change in Fund Balance	(465)	13,887	8	(13,879)
Fund Balance, Beginning of Year	1,355	1,355	1,355	-
Fund Balance, End of Year	\$ 890	15,242	1,363	(13,879)

See accompanying notes to the required supplementary information.

CITY OF UNION, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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).



CITY OF UNION, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020

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	\$ 113,001	\$ 27,240	\$ 89,366	\$ 141,043
Revenue Accruals	43,365	(6,892)	(306)	(312)
Expenditure Accruals	(106,327)	2,032	6,227	(140,723)
Encumbrances	(22,100)	-	-	-
Transfers	-	-	(20,000)	-
Budgeting Differences	(33,508)	-	-	-
Budget Basis	\$ (5,569)	\$ 22,380	\$ 75,287	\$ 8

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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  
June 25, 2021



# 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 8/12/2021**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)