CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

# CITY OF UNION
# MONTGOMERY COUNTY, OHIO

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

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

We have reviewed the *Independent Auditors' Report* of the City of Union, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2022 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

**September 18, 2023**

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CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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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 Audit of the Financial Statements

***Opinions***
We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2022, 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.

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

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2023 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
July 28, 2023

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, 2022. 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 2022 are as follows:

- Governmental activities reported a change in net position of \$6.3 million; an increase of 62.2 percent compared to the prior year.

- Business-type activities reported a change in net position of \$2.3 million; an increase of 12.8 percent during 2022.

- The City's income tax revenues increased just under 1.0 percent compared with those reported in the prior year as the City's economic development actions have increased employment, both with those companies that have built new facilities within the City as well as on-going construction jobs to complete the multiple on-going projects.

- The General Fund reported a fund balance of \$2.0 million which was an increase of \$106,643 from the fund balance reported at the beginning of the year. The \$563,785 unrestricted fund balance reported for the General Fund at December 31, 2022 represents 31.3 percent of the annual fund expenditures, excluding capital outlay expenditures, reported for the year.

- The City continues to experience tremendous economic development within its boundaries. In cooperation with the Montgomery County Transportation Improvement District (MCTID), several large infrastructure projects are underway to meet the needs of several significant new facilities 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 2022?"

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

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

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

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

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

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

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

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

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

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

*Notes to the Basic Financial Statements* - The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

*Required Supplementary Information* - The required supplementary information (RSI) provides readers with information related to the City's budgetary information for the General Fund and major special revenue funds as well as information on the City's proportionate share of net pension and OPEB assets, liabilities, and related required 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, 2022 as compared to the amounts for the year ended December 31, 2021.

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

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | | | | |
| Current and Other Assets | $ 12,426,534 | 1,696,412 | 14,122,946 | 10,567,985 | 3,061,348 | 13,629,333 |
| Capital Assets | 27,316,454 | 24,379,357 | 51,695,811 | 17,672,046 | 22,962,528 | 40,634,574 |
| Total Assets | 39,742,988 | 26,075,769 | 65,818,757 | 28,240,031 | 26,023,876 | 54,263,907 |
| Deferred Outflows of Resources | 1,422,818 | 144,161 | 1,566,979 | 953,699 | 73,241 | 1,026,940 |
| Liabilities: | | | | | | |
| Current and Other Liabilities | 1,453,851 | 20,095 | 1,473,946 | 1,254,041 | 1,567,522 | 2,821,563 |
| Long-term Liabilities | 17,851,171 | 5,872,906 | 23,724,077 | 12,942,403 | 6,487,351 | 19,429,754 |
| Total Liabilities | 19,305,022 | 5,893,001 | 25,198,023 | 14,196,444 | 8,054,873 | 22,251,317 |
| Deferred Inflows of Resources | 5,523,137 | 421,014 | 5,944,151 | 4,922,365 | 391,556 | 5,313,921 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 14,152,114 | 18,884,649 | 33,036,763 | 10,994,077 | 17,035,001 | 28,029,078 |
| Restricted | 2,819,959 | - | 2,819,959 | 2,552,225 | - | 2,552,225 |
| Unrestricted | (634,426) | 1,021,266 | 386,840 | (3,471,381) | 615,687 | (2,855,694) |
| Total Net Position | $ 16,337,647 | 19,905,915 | 36,243,562 | 10,074,921 | 17,650,688 | 27,725,609 |

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27" and the net other postemployment benefits (OPEB) is reported in accordance with GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". These two Standards significantly revised the accounting for costs and liabilities related to pension and OPEB plans for employers. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net OPEB asset and 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 and the net OPEB asset or 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 any unfunded liability of the pension/OPEB plan as against the public employer, nor does the public employer have access to the resources associated with a fully funded or over-funded asset of such a plan. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities 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 and net OPEB assets or liabilities, 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, 2022 the City's overall net position was $36.2 million. Of this amount, $33.0 million was invested in capital assets, net of related debt. The increase in net investment in capital assets reported for 2022 compared to 2021 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 were $1.8 million while net pension and OPEB asset/liabilities, and the related deferred outflow and inflow of resources, accounted for another $2.5 million reduction to unrestricted net position for governmental activities.

Governmental activities reported a 17.6 percent increase in current assets at the end of 2022 compared to one year prior. This increase was the result of a $546,205 increase in intergovernmental receivables and a $829,417 increase in restricted cash with fiscal agent. Intergovernmental receivables increased due to a $1.7 million intergovernmental receivables booked in the TIF fund associated with ongoing infrastructure projects in 2022 compared with $1.2 million in the prior year. Restricted cash with fiscal agent increased due to the timing of payments made on construction activity compared with one year prior. Net capital assets for the governmental activities increased $9.6 million, or 54.6 percent, during the year as the infrastructure projects ongoing within the industrial parks, are captured as construction in progress.

Current liabilities of the governmental activities increased due to the increase in contracts payable at year end associated with the infrastructure projects compared to those of the prior year. Long-term liabilities increased by $4.9 million over those reported at the end of last year as a result of $6.6 million in SIB loans being utilized to finance the on-going infrastructure projects, $1.5 million of principal payments against outstanding debt obligations and intergovernmental the City has with the MCTID for the Global Logistics Air Park project, and a decrease in total pension and OPEB liabilities of $263,981.

Total assets of the business-type activities increased only slightly, 0.2 percent, compared to those reported for 2021. Current assets decreased $1.4 million as an intergovernmental receivable associated with a waterline extension project in the prior year. The increase in capital assets of $1.4 million is attributed to the near completion of the aforementioned waterline extension project. The decrease in total liabilities is primarily attributed to the decrease in contacts payable for the same project.

The following table shows the changes in net position for the year ended December 31, 2022 as compared to fiscal year ended December 31, 2021.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| **REVENUES:** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 1,493,519 | 1,429,448 | 2,192,616 | 1,942,389 | 3,686,135 | 3,371,837 |
| Operating Grants and Contributions | 904,901 | 811,024 | - | - | 904,901 | 811,024 |
| Capital Grants and Contributions | 4,531,067 | 1,375,457 | 117,458 | 1,637,492 | 4,648,525 | 3,012,949 |
| General Revenues: | | | | | | |
| Income Taxes | 2,995,098 | 2,970,100 | - | - | 2,995,098 | 2,970,100 |
| Property Taxes | 2,267,675 | 2,258,963 | - | - | 2,267,675 | 2,258,963 |
| TIF Service Payments | 1,856,020 | 1,870,296 | - | - | 1,856,020 | 1,870,296 |
| Grants and Contributions not Restricted | 179,646 | 167,144 | - | - | 179,646 | 167,144 |
| Investment Income | 63,015 | 2,585 | 22,913 | 951 | 85,928 | 3,536 |
| Other Revenue | 387,786 | 288,946 | 28,443 | 27,932 | 416,229 | 316,878 |
| Transfers | (1,644,877) | (297,978) | 1,644,877 | 297,978 | - | - |
| Total Revenue | 13,033,850 | 10,875,985 | 4,006,307 | 3,906,742 | 17,040,157 | 14,782,727 |
| **EXPENSES:** | | | | | | |
| General Government | 1,722,465 | 1,224,497 | - | - | 1,722,465 | 1,224,497 |
| Security of Persons and Property | 3,022,285 | 2,782,761 | - | - | 3,022,285 | 2,782,761 |
| Public Health Services | 19,082 | 15,696 | - | - | 19,082 | 15,696 |
| Transportation | 929,518 | 562,540 | - | - | 929,518 | 562,540 |
| Economic Development | 366,541 | 331,795 | - | - | 366,541 | 331,795 |
| Community Environment | 595,303 | 622,951 | - | - | 595,303 | 622,951 |
| Leisure Time Activities | 97,121 | 39,365 | - | - | 97,121 | 39,365 |
| Water | - | - | 710,047 | 688,409 | 710,047 | 688,409 |
| Sewer | - | - | 866,950 | 727,513 | 866,950 | 727,513 |
| Stormwater | - | - | 174,083 | 214,884 | 174,083 | 214,884 |
| Interest Expense | 18,809 | 17,121 | - | - | 18,809 | 17,121 |
| Total Expenses | 6,771,124 | 5,596,726 | 1,751,080 | 1,630,806 | 8,522,204 | 7,227,532 |
| Change in Net Position | 6,262,726 | 5,279,259 | 2,255,227 | 2,275,936 | 8,517,953 | 7,555,195 |
| Net Position, Beginning of Year | 10,074,921 | 4,795,662 | 17,650,688 | 15,374,752 | 27,725,609 | 20,170,414 |
| Net Position, End of Year | $ 16,337,647 | 10,074,921 | 19,905,915 | 17,650,688 | 36,243,562 | 27,725,609 |

### *Governmental Activities*

Total governmental activities revenue (excluding transfers) increased by $3.5 million for 2022 compared with those of 2021 due to increased capital grant and contribution funding activity received for the various ongoing economic development projects within the City. The $3.2 million increase in capital grants and contribution were received from the various sources including development contributions by companies as well as by capital grants by the State of Ohio, with a significant portion being transferred to business-type activities representing utility assets paid for with governmental resources.

Total expenses of governmental activities increased by $1.2 million (21.0 percent) from those reported for 2021. The annual pension and OPEB adjustment to expense accounts was the primary reason for the reduction in total expenses. In the prior year, the pension and OPEB adjustment to expenses decreased the total expenses of the governmental activities by $745,615, whereas the current year adjustment reduced the total expenses of the governmental activities also, but only $189,965. The remaining increase in expenses was due to increased cost of personnel (wages and benefits), materials and supplies, as well as increased recreational expenses associated with increased activity compared to the prior years which were affected by the global pandemic.

***Business-Type Activities***

Overall, the City's business-type activities reported $1.3 million less in program revenues for 2022 compared to 2021, however $1.5 million of that decrease resulted from a one-time grant from the State of Ohio to extend City utilities to a specific facility. Charges for services increased by 12.9 percent over those of the prior year in accordance with the rate schedule enacted. Operating expenses of the City's utilities increased by $120,274, or 7.4 percent, based on the same reasons noted above for governmental activities. In addition to the waterline utility extension project previously mentioned above, the City finalized the improvements at its wastewater treatment facility, which started in 2017, and moved nearly $4.9 million of building and other improvements into operations during the current year.

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**

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | | **Total Cost of Service** | **Net Cost of Service** | **Total Cost of Service** | **Net Cost of Service** |
| **GOVERNMENTAL ACTIVITIES:** | | | | | |
| General Government | $ | 1,722,465 | (1,610,227) | 1,224,497 | (1,011,942) |
| Security of Persons and Property | | 3,022,285 | (2,051,873) | 2,782,761 | (1,931,616) |
| Public Health Services | | 19,082 | (10,226) | 15,696 | 1,256 |
| Transportation | | 929,518 | (246,732) | 562,540 | 31,929 |
| Economic Development | | 366,541 | 4,164,526 | 331,795 | 991,015 |
| Community Environment | | 595,303 | 25,699 | 622,951 | (6,554) |
| Leisure Time Activities | | 97,121 | (93,995) | 39,365 | (37,764) |
| Interest Expense | | 18,809 | (18,809) | 17,121 | (17,121) |
| Total Expenses | $ | 6,771,124 | 158,363 | 5,596,726 | (1,980,797) |
| **BUSINESS-TYPE ACTIVITIES:** | | | | | |
| Water | $ | 710,047 | 287,410 | 688,409 | 1,668,741 |
| Sewer | | 866,950 | 309,832 | 727,513 | 356,110 |
| Stormwater | | 174,083 | (38,248) | 214,884 | (75,776) |
| Total Expenses | $ | 1,751,080 | 558,994 | 1,630,806 | 1,949,075 |

## 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, 2022, the City's governmental funds reported revenues and other financing sources of $21.7 million and expenditures and other financing uses of $20.2 million, with combined fund balances amounting to $5.4 million. Of the $5.4 million fund balance, $3.4 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, 2022, the unassigned fund balance of the General Fund was reported at $563,785, an increase from the $306,219 reported at the end of the prior year. The increase in unassigned fund balance less fund balance being allocated towards subsequent year appropriations in the current year compared with that reported for the prior year. Total revenue of the General Fund for 2022 was slightly higher than reported for the prior year, however this increase was offset by a similar increase in expenditures reported for the General Fund in 2022 compared with 2021. The City continues to utilize available funding to facilitate economic development and updating its overall infrastructure, specifically roadways, using general fund dollars.

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 new construction and total expenditures of these two funds increased 8.8 percent and 19.5 percent, respectively, due to hiring additional personnel, increase in personnel costs (wages and benefits), and additional capital outlay needed to procure necessary equipment.

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. Development activity within the area has exploded over the last year with several large employers relocating to the City and building new facilities in or near the Global Logistics Air Park. As a result, in conjunction with the MCTID, several infrastructure projects are ongoing to improvement the utility and roadway infrastructure in that area. During 2022, the City borrowed $6.6 million from Ohio's State Infrastructure Bank (SIB) program. Total approved borrowing amount from the SIB program for the City (two separate agreements) is just over $18.0 million. In addition to financing the construction activity through borrowing funds, the projects are also financed through development contributions from the businesses, other State grant programs, and the City. The service payments received through the tax increment financing (TIF) area are and will be used to repay the monies borrowed to develop the area as well as improve and maintain the infrastructure within the development area into the future.

*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 $565,241, $273,401 and $182,624 for the water, sewer and stormwater funds, respectively. The changes in net position for the water and sewer funds were increases of $1.6 million and $693,118, respectively. The stormwater fund reported a decrease in net position for the year of $35,609. Total operating expenses for all proprietary funds were $1.7 million which were $540,275 less than the operating revenues reported. Ending unrestricted net position as of December 31, 2022 was 79.8 percent, 35.4 percent, and 106.0 percent of the operating expenses reported for the water, sewer and stormwater utilities, respectively.

*General Fund Budgeting Highlights*
For the General Fund, actual budget basis revenue was $3.7 million which was $816,176 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to intentionally conservative budgeting practices by the City, specifically income tax revenue. Outside of income tax revenue, all other revenue sources were somewhat consistent with those anticipated at the beginning of the year.

Total actual expenditures (including transfers) on the budget basis were $3.7 million which were $635,546 less than original expenditure budget estimates. Throughout the year, the City decrease the budgeted expenditures based on the revenues collected.

## CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2022, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling $27.3 million and $24.4 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2022 balances compared to December 31, 2021 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**

| | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Land | $ | 1,471,223 | - | 1,471,223 | 1,436,809 | - | 1,436,809 |
| Construction in Progress | | 15,322,516 | 3,236,658 | 18,559,174 | 6,437,108 | 6,754,745 | 13,191,853 |
| Infrastructure | | 8,285,674 | 23,297,809 | 31,583,483 | 7,542,829 | 23,297,809 | 30,840,638 |
| Buildings | | 2,510,709 | 8,130,383 | 10,641,092 | 2,477,110 | 3,231,329 | 5,708,439 |
| Improvements | | 272,932 | 31,921 | 304,853 | 272,932 | 31,921 | 304,853 |
| Equipment | | 4,509,464 | 2,885,944 | 7,395,408 | 4,205,674 | 2,185,853 | 6,391,527 |
| Vehicles | | 2,498,474 | 197,982 | 2,696,456 | 2,368,384 | 197,982 | 2,566,366 |
| Less: Accumulated Depreciation | | (7,554,538) | (13,401,340) | (20,955,878) | (7,068,800) | (12,737,111) | (19,805,911) |
| Totals | $ | 27,316,454 | 24,379,357 | 51,695,811 | 17,672,046 | 22,962,528 | 40,634,574 |

Overall, the net capital assets increased by $11.1 million (27.2 percent), from those reported one year prior as current year additions of $12.2 million were greater than current year depreciation of $1.1 million ($485,738 for governmental activities and $664,229 for business-type activities). Significant capital asset additions for governmental activities included industrial park infrastructure projects of $9.7 million (recorded in construction-in-progress) and street construction/rehabilitation of $736,870. In business-type activities, virtually all of current year additions ($2.1 million) were associated with ongoing utility projects, mainly the extension of waterlines as well as the completion of the wastewater treatment plant improvement project.

## LONG-TERM DEBT AND COMMITMENTS

At December 31, 2022 the City's governmental activities reported total long-term debt and commitment obligations of $15.0 million compared to the $9.9 million reported one year prior. During the current year, the City obtained $6.6 million of SIB loans to provide financing for infrastructure improvement projects, made $70,000 in general obligation bond principal payments, and reduced the intergovernmental commitment by $1.4 million. The intergovernmental commitment is associated with the 3rd party debt initially issued for the City's Global Logistics Air Park project. The general obligation bonds ($404,896 outstanding), including premium, were issued for the expansion of the public safety facilities within the City. The City also entered a lease-purchase obligation during a prior year to finance the acquisition of equipment. Approximately $1.7 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, 2022 consisted of one general obligation bond issue of $3.1 million; lease-purchase obligations of $132,381; and several loans through the Ohio Public Works Commission (OPWC) totaling $2.3 million. Principal payments during the year reduced business-type activities debt obligations by $432,819 while an additional $368,045 is due for payment in 2023.

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, 2022

| | | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|---|
| **ASSETS:** | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ | 3,870,314 | 1,466,959 | 5,337,273 |
| Receivables: | | | | |
| Taxes | | 2,835,498 | - | 2,835,498 |
| Accounts | | 129,340 | 134,058 | 263,398 |
| Special Assessments | | 441,943 | - | 441,943 |
| TIF | | 1,852,500 | - | 1,852,500 |
| Intergovernmental | | 2,159,953 | - | 2,159,953 |
| Prepaid Items | | 49,996 | 1,995 | 51,991 |
| Materials and Supplies Inventory | | 51,115 | 3,000 | 54,115 |
| Restricted Cash with Fiscal Agent | | 829,417 | - | 829,417 |
| Net OPEB Asset | | 206,458 | 90,400 | 296,858 |
| Capital Assets: | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land | | 1,471,223 | - | 1,471,223 |
| Construction in Progress | | 15,322,516 | 3,236,658 | 18,559,174 |
| Capital assets, net of accumulated depreciation | | 10,522,715 | 21,142,699 | 31,665,414 |
| Total Assets | | 39,742,988 | 26,075,769 | 65,818,757 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | | | |
| Pension and OPEB | | 1,422,818 | 144,161 | 1,566,979 |
| Total Deferred Outflows of Resources | | 1,422,818 | 144,161 | 1,566,979 |
| **LIABILITIES:** | | | | |
| Accounts Payable | | 50,585 | 2,260 | 52,845 |
| Contracts Payable | | 1,353,932 | - | 1,353,932 |
| Accrued Wages and Benefits | | 40,639 | 8,182 | 48,821 |
| Due to Other Governments | | 7,720 | 1,145 | 8,865 |
| Accrued Interest Payable | | 975 | 8,508 | 9,483 |
| Noncurrent Liabilities: | | | | |
| Due Within One Year | | 1,667,735 | 403,913 | 2,071,648 |
| Due In More Than One Year: | | | | |
| Net OPEB Liability | | 288,836 | - | 288,836 |
| Net Pension Liability | | 2,262,507 | 269,813 | 2,532,320 |
| Other | | 13,632,093 | 5,199,180 | 18,831,273 |
| Total Liabilities | | 19,305,022 | 5,893,001 | 25,198,023 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | | |
| Property Taxes | | 2,081,187 | - | 2,081,187 |
| TIF | | 1,852,500 | - | 1,852,500 |
| Pension and OPEB | | 1,589,450 | 421,014 | 2,010,464 |
| Total Deferred Inflows of Resources | | 5,523,137 | 421,014 | 5,944,151 |
| **NET POSITION:** | | | | |
| Net Investment in Capital Assets | | 14,152,114 | 18,884,649 | 33,036,763 |
| Restricted for: | | | | |
| Public Safety Services | | 576,241 | - | 576,241 |
| Transportation | | 1,444,988 | - | 1,444,988 |
| Street Lights | | 749,199 | - | 749,199 |
| Cemetery Operations | | 49,531 | - | 49,531 |
| Unrestricted | | (634,426) | 1,021,266 | 386,840 |
| Total Net Position | $ | 16,337,647 | 19,905,915 | 36,243,562 |

See accompanying notes to the basic financial statements.

***CITY OF UNION***
***MONTGOMERY COUNTY, OHIO***
Statement of Activities
For the Year Ended December 31, 2022

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| **Functions/Programs:** | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| Security of Persons and Property | $ 3,022,285 | 748,297 | 222,115 | - | (2,051,873) | | (2,051,873) |
| Public Health Services | 19,082 | 8,856 | - | - | (10,226) | | (10,226) |
| Leisure Time Activities | 97,121 | 3,126 | - | - | (93,995) | | (93,995) |
| Community Environment | 595,303 | 621,002 | - | - | 25,699 | | 25,699 |
| Transportation | 929,518 | - | 682,786 | - | (246,732) | | (246,732) |
| Economic Development | 366,541 | - | - | 4,531,067 | 4,164,526 | | 4,164,526 |
| General Government | 1,722,465 | 112,238 | - | - | (1,610,227) | | (1,610,227) |
| Interest and Fiscal Charges | 18,809 | - | - | - | (18,809) | | (18,809) |
| Total Governmental Activities | 6,771,124 | 1,493,519 | 904,901 | 4,531,067 | 158,363 | | 158,363 |
| Business-Type Activities: | | | | | | | |
| Water | 710,047 | 879,999 | - | 117,458 | | 287,410 | 287,410 |
| Sewer | 866,950 | 1,176,782 | - | - | | 309,832 | 309,832 |
| Stormwater | 174,083 | 135,835 | - | - | | (38,248) | (38,248) |
| Total Business-Type Activities | 1,751,080 | 2,192,616 | - | 117,458 | | 558,994 | 558,994 |
| Total | $ 8,522,204 | 3,686,135 | 904,901 | 4,648,525 | 158,363 | 558,994 | 717,357 |
| General Revenues and Transfers: | | | | | | | |
| Taxes: | | | | | | | |
| Income Taxes for General Operations | | | | | 2,995,098 | - | 2,995,098 |
| Property Taxes, Levied for: | | | | | | | |
| General Operations | | | | | 205,859 | - | 205,859 |
| Security of Persons and Property | | | | | 1,805,228 | - | 1,805,228 |
| Transportation | | | | | 256,588 | - | 256,588 |
| TIF Service Payments | | | | | 1,856,020 | - | 1,856,020 |
| Grants and Contributions not Restricted to Specific Programs | | | | | 179,646 | - | 179,646 |
| Investment Income | | | | | 63,015 | 22,913 | 85,928 |
| Other Revenue | | | | | 387,786 | 28,443 | 416,229 |
| Transfers | | | | | (1,644,877) | 1,644,877 | - |
| Total General Revenues and Transfers | | | | | 6,104,363 | 1,696,233 | 7,800,596 |
| Change in Net Position | | | | | 6,262,726 | 2,255,227 | 8,517,953 |
| Net Position, Beginning of Year | | | | | 10,074,921 | 17,650,688 | 27,725,609 |
| Net Position, End of Year | | | | | $ 16,337,647 | 19,905,915 | 36,243,562 |

See accompanying notes to the basic financial statements.

*CITY OF UNION*
*MONTGOMERY COUNTY, OHIO*
Balance Sheet
Governmental Funds
December 31, 2022

| | | General Fund | Police Fund | Fire/EMS Fund | TIF Fund |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ | 1,756,799 | 128,988 | 317,258 | 65 |
| Receivables: | | | | | |
| Taxes | | 885,154 | 1,013,131 | 662,721 | - |
| Accounts | | 17,577 | - | 58,014 | - |
| Special Assessments | | 22,058 | - | - | - |
| TIF | | - | - | - | 1,852,500 |
| Intergovernmental | | 83,867 | 67,282 | 37,637 | 1,705,774 |
| Prepaid Items | | 42,340 | 4,595 | 2,396 | - |
| Materials and Supplies Inventory | | 24,057 | - | 396 | - |
| Restricted Cash with Fiscal Agent | | - | - | - | 829,417 |
| Total Assets | $ | 2,831,852 | 1,213,996 | 1,078,422 | 4,387,756 |
| **LIABILITIES:** | | | | | |
| Accounts Payable | $ | 3,534 | - | - | - |
| Contracts Payable | | - | - | - | 1,353,932 |
| Accrued Wages and Benefits | | 5,826 | 16,682 | 11,133 | - |
| Due to Other Governments | | 816 | 3,253 | 2,672 | - |
| Total Liabilities | | 10,176 | 19,935 | 13,805 | 1,353,932 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | | | |
| Property Taxes | | 188,166 | 983,259 | 643,630 | - |
| TIF | | - | - | - | 1,852,500 |
| Unavailable Revenue | | 609,945 | 76,694 | 80,241 | - |
| Total Deferred Inflows of Resources | | 798,111 | 1,059,953 | 723,871 | 1,852,500 |
| **FUND BALANCES:** | | | | | |
| Nonspendable: | | | | | |
| Prepaid Items | | 42,340 | 4,595 | 2,396 | - |
| Material and Supplies Inventory | | 24,057 | - | 396 | - |
| Restricted: | | | | | |
| Public Safety Services | | - | 129,513 | 337,954 | - |
| Street Repair and Maintenance | | - | - | - | - |
| Street Lighting | | - | - | - | - |
| Economic Development | | - | - | - | 1,181,324 |
| Public Health Services | | - | - | - | - |
| Other | | - | - | - | - |
| Committed: | | | | | |
| Community Environment | | - | - | - | - |
| Assigned: | | | | | |
| Recreation Programs | | 92,666 | - | - | - |
| Subsequent Purchases | | 82,215 | - | - | - |
| Subsequent Appropriations | | 1,218,502 | - | - | - |
| Unassigned | | 563,785 | - | - | - |
| Total Fund Balances | | 2,023,565 | 134,108 | 340,746 | 1,181,324 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ | 2,831,852 | 1,213,996 | 1,078,422 | 4,387,756 |

See accompanying notes to the basic financial statements.

| Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|
| 1,667,204 | 3,870,314 |
| 274,492 | 2,835,498 |
| 53,749 | 129,340 |
| 419,885 | 441,943 |
| - | 1,852,500 |
| 265,393 | 2,159,953 |
| 665 | 49,996 |
| 26,662 | 51,115 |
| - | 829,417 |
| 2,708,050 | 12,220,076 |
| 47,051 | 50,585 |
| - | 1,353,932 |
| 6,998 | 40,639 |
| 979 | 7,720 |
| 55,028 | 1,452,876 |
| 266,132 | 2,081,187 |
| - | 1,852,500 |
| 648,364 | 1,415,244 |
| 914,496 | 5,348,931 |
| 665 | 49,996 |
| 26,662 | 51,115 |
| 7,189 | 474,656 |
| 1,248,494 | 1,248,494 |
| 373,110 | 373,110 |
| - | 1,181,324 |
| 50,361 | 50,361 |
| 2 | 2 |
| 32,043 | 32,043 |
| - | 92,666 |
| - | 82,215 |
| - | 1,218,502 |
| - | 563,785 |
| 1,738,526 | 5,418,269 |
| 2,708,050 | 12,220,076 |

***CITY OF UNION***
***MONTGOMERY COUNTY, OHIO***
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2022

| | |
|---|---|
| Total Governmental Fund Balances | $ 5,418,269 |
| *Amounts reported for governmental activities in the Statement of Net Position are different because:* | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. | 27,316,454 |
| Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds. | |
| Income Taxes | 496,472 |
| Property Taxes | 19,937 |
| Intergovernmental | 402,725 |
| Charges for Services | 54,167 |
| Special Assessments | 441,943 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| General Obligation Bonds | (390,000) |
| Unamortized Bond Premium | (14,896) |
| Accrued Interest Payable | (975) |
| Lease-Purchase Obligation | (88,198) |
| Intergovernmental Commitment | (4,472,522) |
| State Infrastructure Bank (SIB) Loan | (9,984,840) |
| Compensated Absences | (349,372) |
| The net pension and OPEB asset and liabilities are not available or due and payable in the current period; therefore, the asset/liablities and the related deferred inflows/outflows are not reported in the governmental funds: | |
| Net OPEB Asset | 206,458 |
| Deferred Outflows - Pension and OPEB | 1,422,818 |
| Deferred Inflows - Pension and OPEB | (1,589,450) |
| Net OPEB Liability | (288,836) |
| Net Pension Liability | (2,262,507) |
| Net Position of Governmental Activities | $ 16,337,647 |

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, 2022

| | General Fund | Police Fund | Fire/EMS Fund | TIF Fund |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Income Taxes | $ 2,967,235 | - | - | - |
| Property Taxes | 210,054 | 1,093,300 | 714,291 | - |
| TIF Service Payments | - | - | - | 1,856,020 |
| Intergovernmental Revenue | 175,421 | 141,627 | 75,870 | 900,000 |
| Charges for Services | 16,519 | - | 275,611 | - |
| Special Assessments | - | - | - | - |
| Fines, Licenses and Permits | 96,092 | - | - | - |
| Investment Income | 28,294 | 2,113 | 6,042 | 1,296 |
| Developers Contributions | - | - | - | 3,267,265 |
| Other Revenue | 171,514 | 16,345 | 5,662 | 128,480 |
| Total Revenues | 3,665,129 | 1,253,385 | 1,077,476 | 6,153,061 |
| **EXPENDITURES:** | | | | |
| Current: | | | | |
| Security of Persons and Property | - | 1,511,562 | 892,382 | - |
| Public Health Services | - | - | - | - |
| Leisure Time Activities | 109,625 | - | - | - |
| Community Environment | - | - | - | - |
| Transportation | - | - | - | - |
| Economic Development | - | - | - | 1,767,861 |
| General Government | 1,690,716 | - | - | - |
| Capital Outlay | 1,362,642 | 49,365 | 135,958 | 9,785,676 |
| Debt Service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total Expenditures | 3,162,983 | 1,560,927 | 1,028,340 | 11,553,537 |
| Excess (Deficiency) of Revenues Over/ (Under) Expenditures | 502,146 | (307,542) | 49,136 | (5,400,476) |
| **OTHER FINANCING SOURCES (USES):** | | | | |
| Loan Proceeds | - | - | - | 6,572,266 |
| Sale of Capital Assets | 24,497 | - | 11,300 | - |
| Transfers In | - | 400,000 | - | - |
| Transfers Out | (420,000) | (20,950) | (62,850) | - |
| Total Other Financing Sources (Uses) | (395,503) | 379,050 | (51,550) | 6,572,266 |
| Net Change in Fund Balances | 106,643 | 71,508 | (2,414) | 1,171,790 |
| Fund Balance, Beginning of Year | 1,916,922 | 62,600 | 343,160 | 9,534 |
| Fund Balance, End of Year | $ 2,023,565 | 134,108 | 340,746 | 1,181,324 |

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, 2022

| Nonmajor Governmental Funds | Total Governmental Funds |
|---:|---:|
| - | 2,967,235 |
| 296,747 | 2,314,392 |
| - | 1,856,020 |
| 1,051,284 | 2,344,202 |
| 629,858 | 921,988 |
| 440,451 | 440,451 |
| - | 96,092 |
| 25,270 | 63,015 |
| - | 3,267,265 |
| 29,988 | 351,989 |
| 2,473,598 | 14,622,649 |
| 393,698 | 2,797,642 |
| 19,916 | 19,916 |
| - | 109,625 |
| 612,815 | 612,815 |
| 622,039 | 622,039 |
| - | 1,767,861 |
| 9 | 1,690,725 |
| 590,923 | 11,924,564 |
| 82,866 | 82,866 |
| 22,013 | 22,013 |
| 2,344,279 | 19,650,066 |
| 129,319 | (5,027,417) |
| - | 6,572,266 |
| - | 35,797 |
| 103,800 | 503,800 |
| - | (503,800) |
| 103,800 | 6,608,063 |
| 233,119 | 1,580,646 |
| 1,505,407 | 3,837,623 |
| 1,738,526 | 5,418,269 |

| | | |
|---|---|---:|
| Total Net Change in Fund Balances - Governmental Funds | $ | 1,580,646 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital Asset Additions | | 10,130,146 |
| Current Year Depreciation | | (485,738) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 20,281 |
| Repayment of debt, including lease-purchases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position. | | 82,866 |
| Contractually required payments to the Montgomerty County Transporation Improvement District are recorded as economic development expenditures in the funds; however on the statement of net position, a portion of those expenditures reduce the City's long-term intergovernmental commitment. | | 1,401,320 |
| Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: | | |
| Compensated Absences | | (87,698) |
| 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. | | 321,400 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB assets and liabilities are reported as expense adjustments in the statement of activities. | | (131,435) |
| Loan proceeds are considered an other financing source in the governmental funds, but the borrowing increases the long-term liability in the statement of net position. | | (6,572,266) |
| Change in Net Position of Governmental Activities | $ | 6,262,726 |

See accompanying notes to the basic financial statements.

*CITY OF UNION*
*MONTGOMERY COUNTY, OHIO*
Statement of Fund Net Position
Enterprise Funds
December 31, 2022

| | | Water | Sewer | Stormwater | Total |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Current Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | $ | 776,642 | 501,562 | 188,755 | 1,466,959 |
| Accounts Receivable | | 47,832 | 74,737 | 11,489 | 134,058 |
| Materials and Supplies Inventory | | 3,000 | - | - | 3,000 |
| Prepaid Items | | 665 | 665 | 665 | 1,995 |
| Total Current Assets | | 828,139 | 576,964 | 200,909 | 1,606,012 |
| Non-current Assets: | | | | | |
| Net OPEB Asset | | 40,402 | 47,242 | 2,756 | 90,400 |
| Capital Assets: | | | | | |
| Nondepreciable Capital Assets | | 3,070,022 | 10,877 | 155,759 | 3,236,658 |
| Depreciable Capital Assets, Net | | 6,403,944 | 9,971,145 | 4,767,610 | 21,142,699 |
| Total Non-current Assets | | 9,514,368 | 10,029,264 | 4,926,125 | 24,469,757 |
| Total Assets | | 10,342,507 | 10,606,228 | 5,127,034 | 26,075,769 |
| **Deferred Outflows of Resources:** | | | | | |
| Pension and OPEB | | 64,428 | 75,337 | 4,396 | 144,161 |
| Total Deferred Outflows of Resources | | 64,428 | 75,337 | 4,396 | 144,161 |
| **Liabilities:** | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | | 2,260 | - | - | 2,260 |
| Accrued Wages and Benefits | | 4,671 | 3,246 | 265 | 8,182 |
| Accrued Interest Payable | | - | 8,508 | - | 8,508 |
| Due to Other Governments | | 654 | 454 | 37 | 1,145 |
| Compensated Absences Payable | | 18,545 | 19,091 | 1,470 | 39,106 |
| Issue II Loans Payable | | 102,228 | 32,893 | 6,647 | 141,768 |
| Lease-Purchase Payable | | 12,680 | 12,680 | 12,679 | 38,039 |
| General Obligation Bonds Payable | | - | 185,000 | - | 185,000 |
| Total Current Liabilities | | 141,038 | 261,872 | 21,098 | 424,008 |
| Long Term Liabilities: | | | | | |
| Compensated Absences Payable | | 32,854 | 33,822 | 2,603 | 69,279 |
| Issue II Loans Payable | | 1,785,555 | 208,628 | 138,734 | 2,132,917 |
| Lease-Purchase Payable | | 31,666 | 31,612 | 31,064 | 94,342 |
| General Obligation Bonds Payable | | - | 2,902,642 | - | 2,902,642 |
| Net Pension Liability | | 120,585 | 141,002 | 8,226 | 269,813 |
| Total Long Term Liabilities | | 1,970,660 | 3,317,706 | 180,627 | 5,468,993 |
| Total Liabilities | | 2,111,698 | 3,579,578 | 201,725 | 5,893,001 |
| **Deferred Inflows of Resources:** | | | | | |
| Pension and OPEB | | 188,159 | 220,019 | 12,836 | 421,014 |
| Total Deferred Inflows of Resources | | 188,159 | 220,019 | 12,836 | 421,014 |
| **Net Position:** | | | | | |
| Net Investment in Capital Assets | | 7,541,837 | 6,608,567 | 4,734,245 | 18,884,649 |
| Unrestricted | | 565,241 | 273,401 | 182,624 | 1,021,266 |
| Total Net Position | $ | 8,107,078 | 6,881,968 | 4,916,869 | 19,905,915 |

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, 2022

| | Water | Sewer | Stormwater | Total |
|---|---|---|---|---|
| **Operating Revenues:** | | | | |
| Charges for Services | $ 652,437 | 1,057,022 | 135,530 | 1,844,989 |
| Tap-In Fees | 157,500 | 109,300 | - | 266,800 |
| Other Operating Revenue | 70,062 | 10,460 | 305 | 80,827 |
| Total Operating Revenue | 879,999 | 1,176,782 | 135,835 | 2,192,616 |
| **Operating Expenses:** | | | | |
| Personal Services | 227,903 | 261,358 | 12,875 | 502,136 |
| Contractual Services | 144,020 | 123,098 | 10,879 | 277,997 |
| Supplies and Materials | 86,647 | 101,143 | 3,755 | 191,545 |
| Other Expenses | 15,435 | 902 | 97 | 16,434 |
| Depreciation | 234,281 | 285,238 | 144,710 | 664,229 |
| Total Operating Expenses | 708,286 | 771,739 | 172,316 | 1,652,341 |
| Operating Income (Loss) | 171,713 | 405,043 | (36,481) | 540,275 |
| **Non-Operating Revenues (Expenses):** | | | | |
| Interest | 11,764 | 8,510 | 2,639 | 22,913 |
| Interest and Fiscal Charges | (1,761) | (95,211) | (1,767) | (98,739) |
| Non-operating Miscellaneous Revenue | 22,989 | 5,454 | - | 28,443 |
| Total Non-Operating Revenues (Expenses) | 32,992 | (81,247) | 872 | (47,383) |
| Income (Loss) Before Capital Contributions | 204,705 | 323,796 | (35,609) | 492,892 |
| Capital Contributions | 1,393,013 | 369,322 | - | 1,762,335 |
| Change in Net Position | 1,597,718 | 693,118 | (35,609) | 2,255,227 |
| Net Position at Beginning of Year | 6,509,360 | 6,188,850 | 4,952,478 | 17,650,688 |
| Net Position at End of Year | $ 8,107,078 | 6,881,968 | 4,916,869 | 19,905,915 |

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, 2022

| | | Water | Sewer | Stormwater | Total |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | | | |
| Cash Received from Customers | $ | 873,496 | 1,168,861 | 137,647 | 2,180,004 |
| Cash Payments to Employees for Services and Benefits | | (338,574) | (381,257) | (49,003) | (768,834) |
| Cash Payments to Suppliers for Goods and Services | | (245,479) | (225,171) | (14,759) | (485,409) |
| Net Cash Provided by Operating Activities | | 289,443 | 562,433 | 73,885 | 925,761 |
| **Cash Flows from Noncapital Financing Activities:** | | | | | |
| Non-operating Cash Receipts | | 22,989 | 5,454 | - | 28,443 |
| Net Cash Provided by Noncapital Financing Activities | | 22,989 | 5,454 | - | 28,443 |
| **Cash Flows from Capital and Related Financing Activities:** | | | | | |
| Acquisition of Capital Assets | | (1,831,038) | (137,653) | (6,240) | (1,974,931) |
| Capital Grant | | 1,656,208 | - | - | 1,656,208 |
| Principal Paid on Financed Purchases | | (12,305) | (12,306) | (12,304) | (36,915) |
| Principal Paid on Bonds | | - | (240,000) | - | (240,000) |
| Principal Paid on Loans | | (102,232) | (36,123) | (6,645) | (145,000) |
| Interest Paid | | (1,761) | (106,715) | (1,767) | (110,243) |
| Net Cash Used in Capital and Related Financing Activities | | (291,128) | (532,797) | (26,956) | (850,881) |
| **Cash Flows from Investing Activities:** | | | | | |
| Interest | | 11,764 | 8,510 | 2,639 | 22,913 |
| Net Cash Provided by Investing Activities | | 11,764 | 8,510 | 2,639 | 22,913 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | 33,068 | 43,600 | 49,568 | 126,236 |
| Cash and Cash Equivalents Beginning of Year | | 743,574 | 457,962 | 139,187 | 1,340,723 |
| Cash and Cash Equivalents End of Year | $ | 776,642 | 501,562 | 188,755 | 1,466,959 |
| *Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:* | | | | | |
| **Operating Income (Loss)** | $ | 171,713 | 405,043 | (36,481) | 540,275 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | | | |
| Depreciation | | 234,281 | 285,238 | 144,710 | 664,229 |
| Changes in Assets, Liabilities, and Deferred Outflows/Inflows: | | | | | |
| (Increase) Decrease in Accounts Receivable | | (6,503) | (7,921) | 1,812 | (12,612) |
| (Increase) Decrease in Prepaid Items | | (28) | (28) | (28) | (84) |
| (Increase) Decrease in Net OPEB Asset | | (15,466) | (19,859) | 443 | (34,882) |
| (Increase) Decrease in Deferred Outflows | | (50,479) | (22,537) | 2,096 | (70,920) |
| Increase (Decrease) in Accounts Payable | | 651 | - | - | 651 |
| Increase (Decrease) in Accrued Salaries Payable | | 325 | (7,667) | (314) | (7,656) |
| Increase (Decrease) in Due to Other Governments | | 46 | (1,074) | (44) | (1,072) |
| Increase (Decrease) in Compensated Absences Payable | | (30,508) | (16,136) | (5,483) | (52,127) |
| Increase (Decrease) in Net Pension Liability | | (36,209) | (74,965) | (18,325) | (129,499) |
| Increase (Decrease) in Deferred Inflows | | 21,620 | 22,339 | (14,501) | 29,458 |
| **Net Cash Provided by Operating Activities** | $ | 289,443 | 562,433 | 73,885 | 925,761 |
| **Capital and Related Financing Activities - Noncash Activity:** | | | | | |
| Capital assets financed from governmental funds | | $ 1,275,555 | $ 369,322 | $ - | $ 1,644,877 |

See accompanying notes to the basic financial statements.

## NOTE 1- REPORTING ENTITY

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

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

### Reporting Entity

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

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

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

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Basis of Presentation

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

### Government-wide Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

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

Governmental Funds

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Proprietary Fund Types

The proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City reports only enterprise funds.

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

Water Fund - The water fund accounts for the provisions of water treatment and distribution to the residential, commercial and industrial users located within the City.

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

Stormwater Fund - This fund accounts for the collection of stormwater runoff from residential, commercial and industrial users within the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City has no funds which are classified as fiduciary funds.

Measurement Focus

Government-wide Financial Statements

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transaction

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets 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 assets 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 pension and OPEB plans. Property taxes and TIF represent amounts for which there is an enforceable legal claim as of December 31, 2022, 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".

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest is credited to the funds according to statutory requirements. Interest revenue earned during 2022 amounted to $63,015 and $22,913 in the governmental funds and proprietary funds, respectively.

The City has funds invested in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2022. 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, 2022. 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 $250 million. STAROhio reserves the right to limit the transaction to $250 million, requiring the excess amount to be transacted the following business day(s), but only to the $250 million limit. All accounts of the STAROhio investors will be combined for these purposes.

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 for other infrastructure projects. However, the expenditures must be approved by Montgomery County and MCTID, therefore these funds are classified as restricted for the City.

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, 2022, the City reported no internal balance transactions.

Capital Assets

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

| | |
|---|---|
| Buildings | 50-75 years |
| Improvements | 20-30 years |
| Equipment | 5-20 years |
| Vehicles | 5-20 years |
| Infrastructure | 20-50 years |
| Utility Infrastructure | 50-75 years |

Compensated Absences

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

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and net OPEB assets, 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.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022, none of the reported $2.8 million in restricted net position was restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

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

Use of Estimates

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

## NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For calendar year 2022, the City has implemented GASB Statement No. 87, *Leases*; GASB Implementation Guide 2019-3, *Leases*; GASB Statement No. 91, *Conduit Debt Obligations;* GASB Statement No. 92, *Omnibus 2020;* GASB Statement No. 93, *Replacement of Interbank Offered Rates*; and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 91 defines conduit debt obligations for accounting and financial reporting purposes and establishes related standards for recognition, measurement, and disclosure for issuers.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The City determined that any contract covered by GASB Statement No. 87 and the 2019-3 GASB Implementation Guide were insignificant and therefore were not incorporated into these financial statements. The implementation of GASB Statements No. 91, 92, 93 and 97 did not have an effect on the City's financial statements.

## 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.

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

At year-end, the carrying amount of the City's deposits was $598,320 and the bank balance was $792,203. At December 31, 2022, $542,203 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 $4,738,953. 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 2022 for real and public utility property taxes represents collections of the 2021 taxes.

The 2022 real property taxes are levied after October 1, 2022, on the assessed value as of January 1, 2022, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2022 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. 2022 public utility property taxes became a lien December 31, 2021, are levied after October 1, 2022, and are collected in the subsequent year along with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2022 was $23.53 per $1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2022 property tax receipts were based are as follows:

| | |
|---|---|
| Real Property Tax Assessed Valuation | $ 127,010,960 |
| Public Utility Tangible Personal Property Assessed Valuation | 2,461,890 |
| Total Assessed Valuation | $ 129,472,850 |

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, 2022, 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 2022 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. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

## NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

| | Balance 12/31/2021 | Additions | Deletions | Balance 12/31/2022 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Non-depreciable capital assets: | | | | |
| Land | $ 1,436,809 | 34,414 | - | $ 1,471,223 |
| Construction in Progress | 6,437,108 | 8,885,408 | - | 15,322,516 |
| Total Non-depreciable capital assets | 7,873,917 | 8,919,822 | - | 16,793,739 |
| Depreciable capital assets: | | | | |
| Buildings | 2,477,110 | 33,599 | - | 2,510,709 |
| Equipment | 4,205,674 | 303,790 | - | 4,509,464 |
| Infrastructure | 7,542,829 | 742,845 | - | 8,285,674 |
| Improvements | 272,932 | - | - | 272,932 |
| Vehicles | 2,368,384 | 130,090 | - | 2,498,474 |
| Total depreciable capital assets | 16,866,929 | 1,210,324 | - | 18,077,253 |
| Less: accumulated depreciation | | | | |
| Buildings | (978,390) | (56,977) | - | (1,035,367) |
| Equipment | (3,182,807) | (151,355) | - | (3,334,162) |
| Infrastructure | (836,141) | (196,195) | - | (1,032,336) |
| Improvements | (87,957) | (9,455) | - | (97,412) |
| Vehicles | (1,983,505) | (71,756) | - | (2,055,261) |
| Total accumulated depreciation | (7,068,800) | (485,738) * | - | (7,554,538) |
| Depreciable capital assets, net | 9,798,129 | 724,586 | - | 10,522,715 |
| Governmental Activities Capital Assets, Net | $ 17,672,046 | 9,644,408 | - | $ 27,316,454 |

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

| | |
|---|---|
| General Government | $ 165,151 |
| Security of Persons and Property | 92,290 |
| Transportation | 228,297 |
| Total Depreciation Expense | $ 485,738 |

## NOTE 7 - CAPITAL ASSETS (continued)

| | Balance 12/31/2021 | Additions | Deletions | Balance 12/31/2022 |
|---|---|---|---|---|
| Business-Type Activities: | | | | |
| Non-depreciable capital assets: | | | | |
| Construction in Progress | $ 6,754,745 | 1,393,013 | (4,911,100) | $ 3,236,658 |
| Depreciable capital assets: | | | | |
| Buildings | 3,231,329 | 4,899,054 | - | 8,130,383 |
| Equipment | 2,185,853 | 700,091 | - | 2,885,944 |
| Infrastructure | 23,297,809 | - | - | 23,297,809 |
| Improvements | 31,921 | - | - | 31,921 |
| Vehicles | 197,982 | - | - | 197,982 |
| Total depreciable capital assets | 28,944,894 | 5,599,145 | - | 34,544,039 |
| Less: accumulated depreciation | | | | |
| Buildings | (2,851,730) | (80,220) | - | (2,931,950) |
| Equipment | (1,319,764) | (108,614) | - | (1,428,378) |
| Infrastructure | (8,378,643) | (467,977) | - | (8,846,620) |
| Improvements | (8,291) | (721) | - | (9,012) |
| Vehicles | (178,683) | (6,697) | - | (185,380) |
| Total accumulated depreciation | (12,737,111) | (664,229) * | - | (13,401,340) |
| Depreciable capital assets, net | 16,207,783 | 4,934,916 | - | 21,142,699 |
| Business-Type Activities Capital Assets, Net | $ 22,962,528 | 6,327,929 | (4,911,100) | $ 24,379,357 |

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

| | |
|---|---|
| Water | $ 234,281 |
| Sewer | 285,238 |
| Stormwater | 144,710 |
| Total Depreciation Expense | $ 664,229 |

## NOTE 8 - RECEIVABLES

Receivables at December 31, 2022 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, 2022 were $134,058.

## NOTE 9 - DEFINED BENEFIT PENSION PLANS

### Net Pension Liability

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

Ohio Revised Code (ORC) limits the City's obligation for this liability to annual 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 the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *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, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-share, 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 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 disclosure focuses on the traditional pension plan.

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

| **Group A**<br>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | **Group B**<br>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | **Group C**<br>Members not in other Groups and members hired on or after January 7, 2103 |
|---|---|---|
| **State and Local** | **State and Local** | **State and Local** |
| **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit. | **Age and Service Requirements:**<br>Age 60 with 60 months of service credit or Age 55 with 25 years of service credit. | **Age and Service Requirements:**<br>Age 57 with 25 years of service credit or Age 62 with 5 years of service credit. |
| **Formula:**<br>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. | **Formula:**<br>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. | **Formula:**<br>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 2022, member contribution rates were 10% of salary and employer contribution rates were 14%, the statutory maximum. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $230,562 for 2022. Of this amount, $2,941 is reported in the due to other governments liability.

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

City full-time police participate in the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustment, 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 ORC. OP&F issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about OP&F's fiduciary net position. That report may be obtained by visiting https://www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5% for each of the first 20 years of service credit, 2.0% for each of the next five years of service credit, and 1.5% for each year of service credit in excess of 25 years. The maximum pension of 72% of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

| | Police |
|---|---|
| **2021 Statutory Maximum Contribution Rates** | |
| Employer | 19.50% |
| Employee | 12.25% |
| **2021 Actual Contribution Rates** | |
| Employer: | |
| Pension | 19.00% |
| Post-employment Health Care Benefits | 0.50% |
| Total Employer | 19.50% |
| Employee | 12.25% |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was $156,378 for 2022. Of this amount, $5,925 is reported in the due to other governments liability.

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, 2021, 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, 2021, and was determined by rolling forward the total pension liability as of January 1, 2021, to December 31, 2021. 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 projected contributions of all participating entities. Following is information related to the proportionate share:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Proportionate share of the net pension liability | $ 886,022 | $ 1,646,298 | $ 2,532,320 |
| Proportion of the net pension liability | | | |
| Current measurement date | 0.010184% | 0.026352% | |
| Prior measurement date | 0.009567% | 0.022826% | |
| Change in proportionate share | 0.000617% | 0.003526% | |
| Pension expense | $ (101,014) | $ 304,228 | $ 203,214 |

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Deferred Outflows of Resources: | | | |
| Differences between expected and actual experience | $ 45,168 | $ 47,469 | $ 92,637 |
| Change in assumptions | 110,796 | 300,873 | 411,669 |
| Change in City's proportionate share and difference in employer contributions | 76,262 | 353,873 | 430,135 |
| City contributions subsequent to the measurement date | 230,562 | 156,378 | 386,940 |
| Total | $ 462,788 | $ 858,593 | $ 1,321,381 |
| Deferred Inflows of Resources: | | | |
| Differences between expected and actual experience | $ 19,433 | $ 85,585 | $ 105,018 |
| Net difference between projected and actual earnings on pension plan investments | 1,053,893 | 431,634 | 1,485,527 |
| Change in City's proportionate share and difference in employer contributions | 1,507 | 12,893 | 14,400 |
| Total | $ 1,074,833 | $ 530,112 | $ 1,604,945 |

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

$386,940 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, 2023. 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: | | | |
| 2023 | $ (86,510) | $ 111,776 | $ 25,266 |
| 2024 | (340,634) | (18,366) | (359,000) |
| 2025 | (247,813) | 13,602 | (234,211) |
| 2026 | (167,650) | 6,066 | (161,584) |
| 2027 | - | 59,025 | 59,025 |
| | $ (842,607) | $ 172,103 | $ (670,504) |

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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Wage inflation: | |
| Current measurement period | 2.75% |
| Prior measurerment period | 3.25% |
| Future salary increases, including inflation: | |
| Current measurement period | 2.75% to 10.75% |
| Prior measurerment period | 3.25% to 10.75% |
| COLA or Ad Hoc COLA | Pre 1/7/2013 retirees: 3% simple<br>Post 1/7/2013 retirees: 0.5% simple through 2021, then 2.15% simple |
| Investment rate of return: | |
| Current measurement period | 6.90% |
| Prior measurement period | 7.20% |
| Actuarial cost method | Individual entry age |

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, 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 of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3% for 2021.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 24.00% | 1.03% |
| Domestic Equities | 21.00% | 3.78% |
| Real Estate | 11.00% | 3.66% |
| Private Equity | 12.00% | 7.43% |
| International Equities | 23.00% | 4.88% |
| Risk Parity | 5.00% | 2.92% |
| Other Investments | 4.00% | 2.85% |
| Total | 100.00% | 4.21% |

***Discount Rate.*** The discount rate used to measure the total pension liability was 6.90% for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.*** The following chart represents the City's proportionate share of the net pension liability at the 6.90% discount rate, as well as the sensitivity to a 1% increase and 1% decrease in the current discount rate:

| | 1% Decrease (5.90%) | Current Discount Rate of 6.90% | 1% Increase (7.90%) |
|---|---|---|---|
| City's proportionate share of the net pension liability/(asset) | $ 2,336,145 | $ 886,022 | $ (320,597) |

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021, 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 determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

| | |
|---|---|
| Valuation date | January 1, 2021 with actuarial liabilities rolled forward to December 31, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return: | |
| Current measurement period | 7.50% |
| Prior measurement period | 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 | 2.2% simple per year |

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021 are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash and cash equivalents | 0.00% | 0.00% |
| Domestic equity | 21.00% | 3.60% |
| Non-U.S. equity | 14.00% | 4.40% |
| Private markets | 8.00% | 6.80% |
| Core fixed income* | 23.00% | 1.10% |
| High yield fixed income | 7.00% | 3.00% |
| Private credit | 5.00% | 4.50% |
| U.S. inflation linked bonds* | 17.00% | 0.80% |
| Midstream energy infrastructure | 5.00% | 5.00% |
| Real assets | 8.00% | 5.90% |
| Gold | 5.00% | 2.40% |
| Private real estate | 12.00% | 4.80% |
| Total | 125.00% | |

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

***Discount Rate.*** The total pension liability was calculated using the discount rate of 7.5%. 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 7.5%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

***Sensitivity of the Employer'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 a discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate of 7.50% | 1% Increase (8.50%) |
|---|---|---|---|
| City's proportionate share of the net pension liability | $ 2,441,438 | $ 1,646,298 | $ 984,144 |

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

Net OPEB Liability/(Asset)

The net OPEB liability/(asset) 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/(asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

ORC 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's does receive the benefit of employees' services in exchange for compensation, including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The ORC 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/(asset). 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.

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

The proportionate share of each plan's funded or unfunded benefits are presented as either a long-term *net OPEB asset* or *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 OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an Health Reimbursement Arrangement allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' ACFR referenced below for additional information.

The ORC 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 ORC.

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

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

Funding Policy—The ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. 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 2022, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the ORC. 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan was 0% during calendar year 2022. For the Combined Plan, the portion of the employer contributions allocated to health care was 0% from January 1, 2022 to June 30, 2022, and was 2% from July 1, 2022 to December 31, 2022.

As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2023 remains at 0% for the Traditional Pension Plan and 2% for the Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0%.

The City's contractually required contribution to OPERS for OPEB was $799 for 2022.

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

The City contributes to the OP&F stipend funded via the Health Care Stabilization Fund. This benefit is available to eligible members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses. The stipend model allows eligible members the option of choosing an appropriate health care plan on the exchange. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees.

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

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

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

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 2022, 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 $4,115 for 2022.

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, 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, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability/(asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Proportionate share of the net OPEB: | | | |
| Asset | $ 296,858 | $ - | $ 296,858 |
| Liability | - | 288,836 | 288,836 |
| Proportion of the net OPEB asset/liability | | | |
| Current measurement date | 0.009478% | 0.026352% | |
| Prior measurement date | 0.008910% | 0.022826% | |
| Change in proportionate share | 0.000568% | 0.003526% | |
| OPEB expense | $ (252,832) | $ 45,654 | $ (207,178) |

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

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Deferred Outflows of Resources: | | | |
| Differences between expected and actual experience | $ - | $ 13,141 | $ 13,141 |
| Change in assumptions | - | 127,847 | 127,847 |
| Change in City's proportionate share and difference in employer contributions | 9,813 | 89,883 | 99,696 |
| City contributions subsequent to the measurement date | 799 | 4,115 | 4,914 |
| Total | $ 10,612 | $ 234,986 | $ 245,598 |
| Deferred Inflows of Resources: | | | |
| Differences between expected and actual experience | $ 45,029 | $ 38,173 | $ 83,202 |
| Net difference between projected and actual earnings on OPEB plan investments | 141,522 | 26,092 | 167,614 |
| Change in assumptions | 120,165 | 33,547 | 153,712 |
| Change in City's proportionate share and difference in employer contributions | 991 | - | 991 |
| Total | $ 307,707 | $ 97,812 | $ 405,519 |

$4,914 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 or an increase of the net OPEB asset in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | OPERS | OP&F | Total |
|---|---|---|---|
| Fiscal Year Ending December 31: | | | |
| 2023 | $ (184,674) | $ 33,560 | $ (151,114) |
| 2024 | (61,973) | 29,687 | (32,286) |
| 2025 | (30,922) | 30,480 | (442) |
| 2026 | (20,325) | 12,187 | (8,138) |
| 2027 | - | 13,360 | 13,360 |
| Thereafter | - | 13,785 | 13,785 |
| | $ (297,894) | $ 133,059 | $ (164,835) |

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

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB asset was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. 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: | |
| Current measurement period | 2.75% |
| Prior measurement period | 3.25% |
| Projected salary increase: | |
| Current measurement period | 2.75% to 10.75%, including wage inflation |
| Prior measurement period | 3.25% to 10.75%, including wage inflation |
| Single discount rate | 6.00% |
| Investment rate of return | 6.00% |
| Municipal bond rate: | |
| Current measurement period | 1.84% |
| Prior measurement period | 2.00% |
| Health care cost trend rate: | |
| Current measurement period | 5.5% initial, 3.50% ultimate in 2034 |
| Prior measurement period | 8.5% initial, 3.50% ultimate in 2035 |
| Actuarial cost method | Individual entry age |

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previous described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

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

During 2021, 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 of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Fixed Income | 34.00% | 0.91% |
| Domestic Equities | 25.00% | 3.78% |
| REITs | 7.00% | 3.71% |
| International Equities | 25.00% | 4.88% |
| Risk Parity | 2.00% | 2.92% |
| Other Investments | 7.00% | 1.93% |
| Total | 100.00% | 3.45% |

***Discount Rate.*** A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2021. 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. 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 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

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

***Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate.*** The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the City's proportionate share of the net OPEB asset if it were calculated using a discount rate that is 1.0% point lower (5.00%) or 1.0% point higher (7.00%) than the current rate:

| | 1% Decrease (5.00%) | Current Discount Rate of 6.00% | 1% Increase (7.00%) |
|---|---|---|---|
| City's proportionate share of the net pension asset | $ 174,589 | $ 296,858 | $ 398,370 |

***Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate.*** Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0% 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 2022 is 5.50%. 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 pension asset | $ 300,081 | $ 296,858 | $ 293,067 |

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2021 is based on the results of an actuarial valuation date of January 1, 2021 and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

| | |
|---|---|
| Actuarial valuation date | January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021 |
| Actuarial cost method | Entry age normal |
| Investment rate of return: | |
| Current measurement rate | 7.50% |
| Prior measurement rate | 8.00% |
| Projected salary increases | 3.75% to 10.50% |
| Payroll growth | 3.25% |
| Single discount rate: | |
| Current measurement rate | 2.84% |
| Prior measurement rate | 2.96% |
| Municipal bond rate: | |
| Current measurement rate | 2.05% |
| Prior measurement rate | 2.12% |
| Cost of living adjustments | 2.2% simple per year |

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

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

NOTE 10 - DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) 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 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, 2021 are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Cash and cash equivalents | 0.00% | 0.00% |
| Domestic equity | 21.00% | 3.60% |
| Non-U.S. equity | 14.00% | 4.40% |
| Private markets | 8.00% | 6.80% |
| Core fixed income* | 23.00% | 1.10% |
| High yield fixed income | 7.00% | 3.00% |
| Private credit | 5.00% | 4.50% |
| U.S. inflation linked bonds* | 17.00% | 0.80% |
| Master limited partnerships | 5.00% | 5.00% |
| Real assets | 8.00% | 5.90% |
| Gold | 5.00% | 2.40% |
| Private real estate | 12.00% | 4.80% |
| Total | 125.00% | |

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

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

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

***Discount Rate.*** Total OPEB liability was calculated using the discount rate of 2.84%. 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 7.5%. 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 2.05% at December 31, 2021 was blended with the long-term rate of 7.5%, which resulted in a blended discount rate of 2.84%.

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate.*** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 2.84%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.84%) and 1% point higher (3.84%) than the current discount rate.

| | 1% Decrease (1.84%) | Current Discount Rate of 2.84% | 1% Increase (3.84%) |
|---|---|---|---|
| City's proportionate share of the net OPEB liability | $ 363,073 | $ 288,836 | $ 227,813 |

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 $202,026 at December 31, 2022.

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, 2022 was $255,731.

## 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 2022 the City renewed their contract with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

| Type of Coverage | Per Occurrence | Deductible |
|---|---|---|
| General Liability | $ 5,000,000 | no deductible |
| Police Liability | 5,000,000 | $ 2,500 |
| Errors and Omissions | 5,000,000 | 2,500 |
| Automobile | 5,000,000 | 1,000 |
| Property Insurance | 14,802,150 | 1,000 |
| Terrorism | 18,632,079 | 25,000 |
| Equipment | 15,852,150 | 1,000 |
| Special Property | 1,877,342 | 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 2022, the City provided employee medical insurance benefits through United HealthCare. The City covers the employee's premiums and deductibles by budgeting $370,500 for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of $6,250 after the employee pays the first $1,000. If the money set aside is not depleted, the City places the excess into a savings account. In 2022, the City made no contributions to or withdrawals from the savings account and the account has a balance of $140,399. 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 – LEASE-PURCHASE OBLIGATIONS

The City previously entered into lease agreements to finance the purchase of equipment, which is utilized by the streets and utility departments. These agreements are treated as financed purchases and reported as lease-purchase obligations within the financial statements.

Payments made in accordance with these agreements 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 lease payments to be made under the agreements. Principal payments made in 2022 associated with these agreements were $49,781.

NOTE 13 - LEASE-PURCHASE OBLIGATIONS (continued)

The following schedule represents the City's future debt service requirements (principal and interest) for the lease-purchase obligations:

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest |
| 2023 | $ 13,358 | $ 3,368 | $ 38,039 | $ 4,168 |
| 2024 | 13,868 | 2,858 | 39,212 | 3,002 |
| 2025 | 14,397 | 2,329 | 40,414 | 1,800 |
| 2026 | 14,947 | 1,779 | 4,720 | 562 |
| 2027 | 15,518 | 1,208 | 4,901 | 381 |
| 2028 | 16,110 | 616 | 5,095 | 194 |
| Total | $ 88,198 | $ 12,158 | $ 132,381 | $ 10,107 |

NOTE 14 - LONG-TERM OBLIGATIONS

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

| | Balance 12/31/2021 | Additions | Deletions | Balance 12/31/2022 | Amount Due In One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General Obligation Bonds | $ 460,000 | $ - | $ (70,000) | $ 390,000 | $ 75,000 |
| Bond Premiums | 17,925 | - | (3,029) | 14,896 | - |
| Direct Borrowing - State | | | | | |
| Infrastructure Bank Loans | 3,412,574 | 6,572,266 | - | 9,984,840 | - |
| Other Obligations: | | | | | |
| Lease-purchase obligation | 101,064 | - | (12,866) | 88,198 | 13,358 |
| Intergovernmental Commitment | 5,873,842 | - | (1,401,320) | 4,472,522 | 1,446,106 |
| Compensated Absences | 261,674 | 182,122 | (94,424) | 349,372 | 133,271 |
| Net Pension Liability: | | | | | |
| OPERS | 1,017,410 | - | (401,201) | 616,209 | - |
| OP&F | 1,556,069 | 90,229 | - | 1,646,298 | - |
| Net OPEB Liability: | | | | | |
| OP&F | 241,845 | 46,991 | - | 288,836 | - |
| Total governmental activities | $ 12,942,403 | $ 6,891,608 | $ (1,982,840) | $ 17,851,171 | $ 1,667,735 |
| Business-type Activities: | | | | | |
| General Obligation Bonds | $ 3,165,000 | $ - | $ (240,000) | $ 2,925,000 | $ 185,000 |
| Bond Premiums | 173,546 | - | (10,904) | 162,642 | - |
| Direct Borrowing - OPWC Loans | 2,419,685 | - | (145,000) | 2,274,685 | 141,768 |
| Other Obligations: | | | | | |
| Lease-purchase obligation | 169,296 | - | (36,915) | 132,381 | 38,039 |
| Compensated Absences | 160,512 | 35,786 | (87,913) | 108,385 | 39,106 |
| Net Pension Liability: | | | | | |
| OPERS | 399,312 | - | (129,499) | 269,813 | - |
| Total business-type activities | $ 6,487,351 | $ 35,786 | $ (650,231) | $ 5,872,906 | $ 403,913 |

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. The general obligations bonds are currently being paid from the Police Fund, Fire/EMS Fund, and Sewer Fund.

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

| | Governmental Activities | | Business-Type Activities | |
|---|---|---|---|---|
| Year | Principal | Interest | Principal | Interest |
| 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 | 80,000 | 4,950 | 200,000 | 85,000 |
| 2027 | 85,000 | 2,550 | 205,000 | 79,000 |
| 2028-2032 | - | - | 885,000 | 310,425 |
| 2033-2037 | - | - | 1,065,000 | 131,200 |
| Total | $ 390,000 | $ 35,850 | $ 2,925,000 | $ 895,125 |

In October 2021, the City entered into a promissory note with the Ohio Department of Transportation's State Infrastructure Bank program to finance certain infrastructure projects within the City. The maximum amount that can be borrowed under the promissory note is $5,020,000. Stated interest rate is zero percent through the end of the first twelve months and 3 percent per annum thereafter until repaid in full. Maturity of the loan is 20 years. As of December 31, 2022, the City had borrowed the total $5,020,000 against the note, however the project had not been official closed and therefore the official repayment schedule has not been established.

In August 2022, the City entered into an additional promissory note with the Ohio Department of Transportation's State Infrastructure Bank program to finance certain infrastructure projects on Old Springfield and Dog Leg Roads. The maximum amount that can be borrowed under the promissory note is $13,510,000. Stated interest rate is zero percent through the end of the first twelve months and 3 percent per annum thereafter until repaid in full. Maturity of the loan is 20 years. As of December 31, 2022, the City had borrowed the total $4,964,840 against this note leaving the remaining $8,545,160 available for subsequent period(s). The repayment schedule for this loan will be officially established once the project is closed and final loan balance established.

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.

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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. During 2022, the City paid $1,401,320 against the principal amount under the contractual agreement. The expected future payments associated with this intergovernmental commitment are as follows:

| | Governmental Activities | |
|---|---|---|
| Year | Principal | Interest |
| 2023 | $ 1,446,106 | $ 128,170 |
| 2024 | 1,487,095 | 82,816 |
| 2025 | 1,539,321 | 36,104 |
| Total | $ 4,472,522 | $ 247,090 |

Over the past several years, the City has obtained interest free loans through the Ohio Public Works Commission 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 1 | 2015 | 149,397 | 2045 | Storm Water Fund |

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

| | Business-Type Activities | | |
|---|---|---|---|
| Year | Principal | Year | Principal |
| 2023 | $ 141,768 | 2028-2032 | 572,947 |
| 2024 | 138,540 | 2033-2037 | 466,558 |
| 2025 | 138,539 | 2038-2042 | 342,239 |
| 2026 | 138,539 | 2043-2047 | 164,259 |
| 2027 | 138,542 | 2048-2050 | 32,754 |
| | | Total | $ 2,274,685 |

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

## NOTE 15 - INTERFUND TRANSFERS AND BALANCES

The City had the following transfers during 2022:

| Transfer from Fund | Transfer to Fund | Amount |
|---|---|---|
| General | Police Fund | $ 400,000 |
| | Other Governmental | 20,000 |
| Police | Other Governmental | 20,950 |
| Fire/EMS | Other Governmental | 62,850 |
| | | $ 503,800 |

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 activities to the business-type activities represents $1,644,877 of capital assets financed through governmental funds, which were recorded within the capital assets of the appropriate utility funds.

## NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2022 to December 31, 2022 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/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 were $82,215, $6,215, and $10,500 reported in the General, Fire/EMS, and Sewer Funds, respectively.

## 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.

# REQUIRED SUPPLEMENTARY INFORMATION

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

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

| Measurement Year (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% |
| 2021 | 0.009567% | 1,416,722 | 1,347,514 | 105.14% | 86.88% |
| 2022 | 0.010184% | 886,022 | 1,477,964 | 59.95% | 92.62% |

| Calendar Year | 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% |
| 2021 | 206,915 | (206,915) | - | 1,477,964 | 14.00% |
| 2022 | 230,562 | (230,562) | - | 1,646,871 | 14.00% |

(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%.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction of the discount rate from 7.2% to 6.9%, a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

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

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

| Measurement Year (1) (2) | City's Proportion of the Net Pension Liability | City's Proportionate Share of the Net Pension Liability | City's Covered Payroll | City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|
| 2014 | 0.014540% | $ 708,158 | $ 343,314 | 206.27% | 73.00% |
| 2015 | 0.014540% | 753,245 | 298,870 | 252.03% | 71.71% |
| 2016 | 0.014074% | 905,390 | 301,309 | 300.49% | 66.77% |
| 2017 | 0.015495% | 981,459 | 382,000 | 256.93% | 68.36% |
| 2018 | 0.016102% | 988,243 | 369,968 | 267.12% | 70.91% |
| 2019 | 0.017359% | 1,406,942 | 419,784 | 335.16% | 63.07% |
| 2020 | 0.021964% | 1,479,602 | 567,032 | 260.94% | 69.89% |
| 2021 | 0.022826% | 1,556,069 | 636,295 | 244.55% | 70.65% |
| 2022 | 0.026352% | 1,646,298 | 734,684 | 224.08% | 75.03% |

| Calendar Year | 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% |
| 2021 | 139,590 | (139,590) | - | 734,684 | 19.00% |
| 2022 | 156,378 | (156,378) | - | 823,042 | 19.00% |

(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.

In 2022, the single discount rate changed from 8.0% to 7.5%.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
AND CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

| Measurement Year (1) (2) | City's Proportion of the Net OPEB Liability/(Asset) | City's Proportionate Share of the Net OPEB Liability/(Asset) | City's Covered Payroll | City's Proportionate Share of the Net OPEB Liability/(Asset) 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% |
| 2021 | 0.008910% | (158,739) | 1,347,514 | (11.78%) | 115.57% |
| 2022 | 0.009478% | (296,858) | 1,477,964 | (20.09%) | 128.23% |

| Calendar Year (3) | 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% |
| 2021 | - | - | - | 1,477,964 | 0.00% |
| 2022 | 799 | (799) | - | 1,646,871 | 0.05% |

(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.

(3) 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.

**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 2028 to 10.5% initial, 3.50% ultimate in 2030.

In 2021, the single discount rate changed from 3.16% to 6.00% and the health care cost trend rate changed from 10.5% initial, 3.50% ultimate in 2030 to 8.5% initial, 3.50% ultimate in 2035.

In 2022, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2020. Significant changes included a reduction in wage inflation from 3.25% to 2.75%, and transition from RP-2014 mortality tables to Pub-2010 mortality tables.

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

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

| Measurement Year (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% |
| 2021 | 0.022826% | 241,845 | 636,295 | 38.01% | 45.42% |
| 2022 | 0.026352% | 288,836 | 734,684 | 39.31% | 46.90% |

| Calendar Year (3) | 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% |
| 2021 | 3,673 | (3,673) | - | 734,684 | 0.50% |
| 2022 | 4,115 | (4,115) | - | 823,042 | 0.50% |

(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.

(3) 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.

**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%.

In 2021, the single discount rate changed from 3.56% to 2.96%.

In 2022, the single discount rate changed from 2.96% to 2.84%.

*Change in benefit terms.* Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model, depositing stipends into individual health reimbursements accounts that retirees will use to be reimbursed for health care expenses.

***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, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| Property Taxes | $ 200,000 | 200,000 | 205,852 | 5,852 |
| Municipal Income Taxes | 2,300,000 | 2,300,000 | 2,974,316 | 674,316 |
| Intergovernmental Revenue | 134,000 | 134,000 | 175,547 | 41,547 |
| Charges for Services | 1,270 | 1,270 | 16,493 | 15,223 |
| Fines, Licenses and Permits | 43,650 | 43,650 | 92,418 | 48,768 |
| Investment Income | 5,000 | 5,000 | 26,940 | 21,940 |
| Other Revenue | 162,000 | 162,000 | 170,530 | 8,530 |
| Total Revenues | 2,845,920 | 2,845,920 | 3,662,096 | 816,176 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 1,845,808 | 1,984,532 | 1,780,147 | 204,385 |
| Capital Outlay | 2,032,527 | 1,532,527 | 1,362,642 | 169,885 |
| Total Expenditures | 3,878,335 | 3,517,059 | 3,142,789 | 374,270 |
| Excess of Revenues Over (Under) Expenditures | (1,032,415) | (671,139) | 519,307 | 1,190,446 |
| Other Financing Sources (Uses): | | | | |
| Sale of Capital Assets | - | - | 24,497 | 24,497 |
| Transfers Out | (420,000) | (735,238) | (520,000) | 215,238 |
| Total Other Financing Sources (Uses) | (420,000) | (735,238) | (495,503) | 239,735 |
| Net Change in Fund Balance | (1,452,415) | (1,406,377) | 23,804 | 1,430,181 |
| Fund Balance, Beginning of Year | 1,500,147 | 1,500,147 | 1,500,147 | - |
| Prior Year Encumbrances Appropriated | 52,685 | 52,685 | 52,685 | - |
| Fund Balance, End of Year | $ 100,417 | 146,455 | 1,576,636 | 1,430,181 |

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, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| Property Taxes | $ 1,049,000 | 1,049,000 | 1,072,840 | 23,840 |
| Intergovernmental Revenue | 139,000 | 139,000 | 141,627 | 2,627 |
| Investment Income | 1,000 | 1,000 | 2,113 | 1,113 |
| Other Revenue | 8,438 | 83,360 | 21,879 | (61,481) |
| Total Revenues | 1,197,438 | 1,272,360 | 1,238,459 | (33,901) |
| Expenditures: | | | | |
| Current: | | | | |
| Security of Persons and Property | 1,434,509 | 1,514,509 | 1,507,474 | 7,035 |
| Capital Outlay | 63,541 | 63,541 | 49,365 | 14,176 |
| Total Expenditures | 1,498,050 | 1,578,050 | 1,556,839 | 21,211 |
| Excess of Revenues Over (Under) Expenditures | (300,612) | (305,690) | (318,380) | (12,690) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 300,000 | 300,000 | 400,000 | 100,000 |
| Transfers Out | (20,950) | (28,950) | (20,950) | 8,000 |
| Total Other Financing Sources (Uses) | 279,050 | 271,050 | 379,050 | 108,000 |
| Net Change in Fund Balance | (21,562) | (34,640) | 60,670 | 95,310 |
| Fund Balance, Beginning of Year | 34,640 | 34,640 | 34,640 | - |
| Fund Balance, End of Year | $ 13,078 | - | 95,310 | 95,310 |

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, 2022

| | | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Property Taxes | $ | 686,000 | 686,000 | 701,214 | 15,214 |
| Intergovernmental Revenue | | 80,000 | 80,000 | 75,870 | (4,130) |
| Charges for Services | | 175,000 | 225,000 | 255,038 | 30,038 |
| Investment Income | | 5,000 | 5,000 | 6,042 | 1,042 |
| Other Revenue | | 1,075 | 20,423 | 5,662 | (14,761) |
| Total Revenues | | 947,075 | 1,016,423 | 1,043,826 | 27,403 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | | 829,381 | 954,381 | 908,772 | 45,609 |
| Capital Outlay | | 218,269 | 183,269 | 135,958 | 47,311 |
| Total Expenditures | | 1,047,650 | 1,137,650 | 1,044,730 | 92,920 |
| Excess of Revenues Over (Under) Expenditures | | (100,575) | (121,227) | (904) | 120,323 |
| Other Financing Sources (Uses): | | | | | |
| Sale of Capital Assets | | - | - | 11,300 | 11,300 |
| Transfers Out | | (62,850) | (63,850) | (62,850) | 1,000 |
| Total Other Financing Sources (Uses) | | (62,850) | (63,850) | (51,550) | 12,300 |
| Net Change in Fund Balance | | (163,425) | (185,077) | (52,454) | 132,623 |
| Fund Balance, Beginning of Year | | 284,041 | 284,041 | 284,041 | - |
| Fund Balance, End of Year | $ | 120,616 | 98,964 | 231,587 | 132,623 |

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, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| Revenues: | | | | |
| TIF Service Payments | $ 1,870,296 | 1,870,296 | 1,856,020 | (14,276) |
| Intergovernmental Revenue | - | 500,000 | 500,000 | - |
| Investment Income | - | - | 41 | 41 |
| Developers Contributions | - | 3,250,000 | 3,267,265 | 17,265 |
| Other Revenue | - | 210,000 | 211,960 | 1,960 |
| Total Revenues | 1,870,296 | 5,830,296 | 5,835,286 | 4,990 |
| Expenditures: | | | | |
| Current: | | | | |
| Economic Development | 1,870,296 | 11,849,713 | 11,849,713 | - |
| Total Expenditures | 1,870,296 | 11,849,713 | 11,849,713 | - |
| Excess of Revenues Over (Under) Expenditures | - | (6,019,417) | (6,014,427) | 4,990 |
| Other Financing Sources: | | | | |
| Loan Issuance | - | 6,019,396 | 6,014,469 | (4,927) |
| Total Other Financing Sources | - | 6,019,396 | 6,014,469 | (4,927) |
| Net Change in Fund Balance | - | (21) | 42 | 63 |
| Fund Balance, Beginning of Year | 23 | 23 | 23 | - |
| Fund Balance, End of Year | $ 23 | 2 | 65 | 63 |

See accompanying notes to the required supplementary information.

## BUDGETARY BASIS OF ACCOUNTING

### Budgetary Process

All funds, except for custodial funds, are legally required to be budgeted and appropriated before any expenditure may be made out of the respective funds. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by the Council at the object level for all funds.

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

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

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

### Budget to GAAP Reconciliation

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

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

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

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

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

BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

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

| | General | Police | Fire/EMS | TIF |
|---|---|---|---|---|
| GAAP Basis | $ 106,643 | $ 71,508 | $ (2,414) | $1,171,790 |
| Revenue Accruals | 2,431 | (14,926) | (33,650) | - |
| Expenditure Accruals | (7,216) | 4,088 | (10,175) | 222,835 |
| Encumbrances | (82,215) | - | (6,215) | - |
| Debt Issuances | - | - | - | (557,797) |
| Budgeting Differences | 4,161 | - | - | (836,786) |
| Budget Basis | $ 23,804 | $ 60,670 | $ (52,454) | $ 42 |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 28, 2023.

**Report on Internal Control Over Financial Reporting**
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the 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 or significant deficiencies may exist that were not identified.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
July 28, 2023

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OHIO AUDITOR OF STATE
KEITH FABER

**CITY OF UNION**

**MONTGOMERY COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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

**Certified for Release 9/28/2023**

88 East Broad Street, Columbus, Ohio 43215
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