



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

**CITY OF UNION
MONTGOMERY COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021



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

We have reviewed the *Independent Auditor's Report* of the City of Union, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2021 through December 31, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 29, 2022

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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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective 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, 2021, 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 June 27, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 27, 2022

CITY OF UNION
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Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

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, 2021. 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 2021 are as follows:

- Governmental activities reported a change in net position of \$5.3 million; an increase of 110.1 percent compared to the prior year.
- Business-type activities reported a change in net position of \$2.3 million; an increase of 14.8 percent during 2021.
- The City's income tax revenues increased \$1.2 million (70.4 percent) over those reported in the prior year as the City's economy recovered from the economic issues caused by the global pandemic in 2020; development within the City has new jobs and the on-going construction within the development area increases income taxes the City receives. Calendar year 2021 was the first full year in which the 1.5 percent income tax rate, which became effective January 1, 2020, was fully realized as the economic conditions caused in 2020 by the pandemic eased.
- The General Fund reported a fund balance of \$1.9 million which was an increase of \$441,247 from the fund balance reported at the beginning of the year. The \$306,219 unrestricted fund balance reported for the General Fund at December 31, 2021 represents 10.1 percent of the annual fund 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 2021?"

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

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

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

- **Governmental Activities** – Most of the City's services are reported here and include police, fire, emergency medical, refuse collection, public maintenance, parks and recreation, judicial, legislative, and executive.
- **Business-Type Activities** – These services include water, sewer, and stormwater. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

Proprietary Funds – City utility services for water, sewer, and stormwater are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities"

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on the Statement of Net Position and the Statement of Activities and reported in much the same manner as proprietary funds; therefore, these statements will essentially match. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental funds".

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

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

The City as a Whole

The Statement of Net Position provides a perspective of the City as a whole. Table 1 provides a summary of the City's net position for the year ended December 31, 2021 as compared to the amounts for the year ended December 31, 2020.

TABLE 1
Statement of Net Position, December 31

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other						
Assets	\$ 10,567,985	3,061,348	13,629,333	9,003,065	1,597,770	10,600,835
Capital Assets	<u>17,672,046</u>	<u>22,962,528</u>	<u>40,634,574</u>	<u>11,463,713</u>	<u>21,296,777</u>	<u>32,760,490</u>
Total Assets	<u>28,240,031</u>	<u>26,023,876</u>	<u>54,263,907</u>	<u>20,466,778</u>	<u>22,894,547</u>	<u>43,361,325</u>
Deferred Outflows						
of Resources	<u>953,699</u>	<u>73,241</u>	<u>1,026,940</u>	<u>1,104,862</u>	<u>150,587</u>	<u>1,255,449</u>
Liabilities:						
Current and Other						
Liabilities	1,254,041	1,567,522	2,821,563	85,413	19,965	105,378
Long-term Liabilities	<u>12,942,403</u>	<u>6,487,351</u>	<u>19,429,754</u>	<u>12,069,104</u>	<u>7,417,543</u>	<u>19,486,647</u>
Total Liabilities	<u>14,196,444</u>	<u>8,054,873</u>	<u>22,251,317</u>	<u>12,154,517</u>	<u>7,437,508</u>	<u>19,592,025</u>
Deferred Inflows						
of Resources	<u>4,922,365</u>	<u>391,556</u>	<u>5,313,921</u>	<u>4,621,461</u>	<u>232,874</u>	<u>4,854,335</u>
Net Position:						
Net Investment in						
Capital Assets	10,994,077	17,035,001	28,029,078	8,072,896	14,942,530	23,015,426
Restricted	2,552,225	-	2,552,225	1,996,203	-	1,996,203
Unrestricted	<u>(3,471,381)</u>	<u>615,687</u>	<u>(2,855,694)</u>	<u>(5,273,437)</u>	<u>432,222</u>	<u>(4,841,215)</u>
Total Net Position	<u>\$ 10,074,921</u>	<u>17,650,688</u>	<u>27,725,609</u>	<u>4,795,662</u>	<u>15,374,752</u>	<u>20,170,414</u>

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

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Reporting for Postemployment Benefits Other Than Pensions". These two Standards significantly revised the accounting for costs and liabilities related to pension and OPEB plans for employers. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the 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 the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities, but are

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outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension 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, 2021 the City's overall net position was \$27.7 million. Of this amount, \$28.0 million was invested in capital assets, net of related debt. The increase in net investment in capital assets reported for 2021 compared to 2020 was the result of current year additions to capital assets exceeding depreciation expense for the year. The unrestricted deficit in net position reported for governmental activities resulted from the portion of the intergovernmental commitment liability in excess of the assets reported in the governmental activities, as well as the effects of the net pension and OPEB liabilities at year-end. The effects of the intergovernmental commitment on unrestricted net position was \$3.2 million while net pension and OPEB asset/liabilities, and the related deferred outflow and inflow of resources, accounted for another \$2.7 million reduction to unrestricted net position for governmental activities.

Governmental activities reported a 17.4 percent increase in current assets at the end of 2021 compared to one year prior. This increase was the result of a \$1.4 million increase in receivables and a \$511,793 increase in cash and equivalents. Receivables increased due to a \$1.2 million intergovernmental receivables booked in the TIF fund associated with ongoing infrastructure projects and taxes received increased based on increased estimates associated with the City's income tax. Pooled cash and cash equivalents increased due to increased income tax revenues received during the current year, primarily from payroll withholdings. Net capital assets for the governmental activities increased \$6.2 million, or 54.2 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 \$1.2 million over those reported for the prior year due to the \$1.1 million of contracts payable at year end associated with the infrastructure projects. Long-term liabilities increased by \$873,299 over those reported at the end of last year as a result of \$3.4 million in new loans being utilized to finance the on-going infrastructure projects, a \$1.1 million decrease in the net pension and OPEB liabilities compared with the prior year, and \$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.

Total assets of the business-type activities increased by 13.7 percent compared to those reported for 2020. Current assets increased \$1.4 million as the City recorded an intergovernmental receivable associated with an ongoing waterline extension project. This project primarily accounted for the \$1.7 million in capital assets as well as the \$1.5 million in current liabilities. Long-term liabilities of the business-type activities decreased as the net pension and OPEB liabilities at year-end decreased from those reported for the prior year as well as principal payments made on the outstanding debt obligations of the utility systems during the current year.

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The following table shows the changes in net position for the year ended December 31, 2021 as compared to fiscal year ended December 31, 2020.

TABLE 2
Change in Net Position

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,429,448	1,293,834	1,942,389	1,878,062	3,371,837	3,171,896
Operating Grants and Contributions	811,024	990,988	-	-	811,024	990,988
Capital Grants and Contributions	1,375,457	171,069	1,637,492	-	3,012,949	171,069
General Revenues:						
Income Taxes	2,970,100	1,742,557	-	-	2,970,100	1,742,557
Property Taxes	2,258,963	2,213,479	-	-	2,258,963	2,213,479
TIF Service Payments	1,870,296	1,879,752	-	-	1,870,296	1,879,752
Grants and Contributions not Restricted	167,144	147,264	-	-	167,144	147,264
Investment Income	2,585	18,073	951	11,261	3,536	29,334
Other Revenue	288,946	375,607	27,932	25,452	316,878	401,059
Transfers	(297,978)	(277,578)	297,978	277,578	-	-
Total Revenue	<u>10,875,985</u>	<u>8,555,045</u>	<u>3,906,742</u>	<u>2,192,353</u>	<u>14,782,727</u>	<u>10,747,398</u>
EXPENSES:						
General Government	1,224,497	1,449,794	-	-	1,224,497	1,449,794
Security of Persons and Property	2,782,761	2,722,186	-	-	2,782,761	2,722,186
Public Health Services	15,696	27,652	-	-	15,696	27,652
Transportation	562,540	703,016	-	-	562,540	703,016
Economic Development	331,795	284,529	-	-	331,795	284,529
Community Environment	622,951	645,725	-	-	622,951	645,725
Leisure Time Activities	39,365	78,644	-	-	39,365	78,644
Water	-	-	688,409	755,468	688,409	755,468
Sewer	-	-	727,513	847,957	727,513	847,957
Stormwater	-	-	214,884	235,708	214,884	235,708
Interest Expense	17,121	19,685	-	-	17,121	19,685
Total Expenses	<u>5,596,726</u>	<u>5,931,231</u>	<u>1,630,806</u>	<u>1,839,133</u>	<u>7,227,532</u>	<u>7,770,364</u>
Change in Net Position	5,279,259	2,623,814	2,275,936	353,220	7,555,195	2,977,034
Net Position, Beginning of Year	<u>4,795,662</u>	<u>2,171,848</u>	<u>15,374,752</u>	<u>15,021,532</u>	<u>20,170,414</u>	<u>17,193,380</u>
Net Position, End of Year	<u>\$ 10,074,921</u>	<u>4,795,662</u>	<u>17,650,688</u>	<u>15,374,752</u>	<u>27,725,609</u>	<u>20,170,414</u>

Governmental Activities

Total governmental activities revenue (excluding transfers) increased by \$2.3 million for 2021 compared with those of the prior year as income tax revenue increased and additional capital grant and contribution funding was received for the various ongoing economic development projects within the City. The \$1.2 million increase in income taxes has previously been discussed. The \$1.2 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.

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Total expenses of governmental activities decreased by \$334,505 (5.6 percent) from those reported for 2020. 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 increase the total expenses of the governmental activities by \$389,268, whereas the current year adjustment reduced the total expenses of the governmental activities by \$745,615. This \$1.1 million decrease in expense adjustments affected virtually all the functional areas reported by the City.

Business-Type Activities

Overall, the City's business-type activities reported \$1.7 more in program revenues for 2021 compared to 2020, however \$1.6 million of that increase resulted from a one-time grant from the State of Ohio to extend City utilities to a specific facility. Charges for services increased by 3.4 percent over those of the prior year in accordance with the rate schedule enacted. Operating expenses of the City's utilities decreased by \$208,327, or 11.3 percent, based on the negative pension and OPEB adjustment for the current year previously discussed. In addition to the \$1.6 million utility extension project previously mentioned above, the City continues the improvements at its wastewater treatment facility, which started in 2017, continued throughout 2021 with nearly \$600,000 being added to construction-in-progress related to this project. Overall, \$4.5 million of construction-in-progress reported for the sewer utility is associated with this multi-year project that is expected to be completed in 2022.

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

TABLE 3
Total and Net Cost of Program Services

	<u>2021</u>		<u>2020</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,224,497	(1,011,942)	1,449,794	(1,136,194)
Security of Persons and Property	2,782,761	(1,931,616)	2,722,186	(1,754,705)
Public Health Services	15,696	1,256	27,652	(7,460)
Transportation	562,540	31,929	703,016	(166,143)
Economic Development	331,795	991,015	284,529	(284,529)
Community Environment	622,951	(6,554)	645,725	(28,906)
Leisure Time Activities	39,365	(37,764)	78,644	(77,718)
Interest Expense	17,121	(17,121)	19,685	(19,685)
Total Expenses	\$ <u>5,596,726</u>	<u>(1,980,797)</u>	<u>5,931,231</u>	<u>(3,475,340)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 688,409	1,668,741	755,468	(117,899)
Sewer	727,513	356,110	847,957	250,750
Stormwater	214,884	(75,776)	235,708	(93,922)
Total Expenses	\$ <u>1,630,806</u>	<u>1,949,075</u>	<u>1,839,133</u>	<u>38,929</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

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, 2021, the City's governmental funds reported revenues and other financing sources of \$14.6 million and expenditures and other financing uses of \$14.5 million, with combined fund balances amounting to \$3.8 million. Of the \$3.8 million fund balance, \$1.9 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, 2021, the unassigned fund balance of the General Fund was reported at \$306,219, a decrease from the \$749,886 reported at the end of the prior year. The decrease in unassigned fund balance resulted primarily from reporting subsequent years budgeting of fund balance as assigned fund balance within the fund. Total revenue of the General Fund for 2021 was \$1.1 million more than the prior year due to increase income tax receipts. Expenditures also increased for the year, by 32.5 percent, as 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 18.2 percent and 10.7 percent, respectively, due to hiring additional personnel as well as overall increase in personnel costs (wages and benefits).

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 2021, the City borrowed \$3.4 million from Ohio's State Infrastructure Bank (SIB) program. Total approved borrowing amount from the SIB program for the City is just over \$5.0 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 \$415,622, \$101,353 and \$98,712 for the water, sewer and stormwater funds, respectively. The changes in net position for the water and sewer funds were increases of \$1.7 million and \$659,936, respectively. The stormwater fund reported a decrease in net position for the year of \$75,692. Total operating expenses for all proprietary funds were \$1.5 million which were \$420,683 less than the operating revenues reported. Ending unrestricted net position as of December 31, 2021 was 60.6 percent, 16.3 percent, and 46.4 percent of the operating expenses reported for the water, sewer and stormwater utilities, respectively.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$3.5 million which was \$325,855 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to increase in income tax revenue received during the year. Given the economic conditions caused by the global pandemic in 2020, the City intentionally budgeted revenues and expenditures conservatively at the beginning of 2021. Outside of income tax revenue, all other revenue sources were consistent with those anticipated at the beginning of the year.

Total actual expenditures (including transfers) on the budget basis were \$3.2 million which were \$517,300 more than original expenditure budget estimates. Throughout the year, the City increase the budgeted expenditures based on the increased revenues realized which enabled the City address issues not originally included in the budget at the beginning of the year.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2021, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$17.7 million and \$23.0 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2021 balances compared to December 31, 2020 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

	2021			2020		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,436,809	-	1,436,809	1,436,809	-	1,436,809
Construction in Progress	6,437,108	6,754,745	13,191,853	709,327	4,478,727	5,188,054
Infrastructure	7,542,829	23,297,809	30,840,638	6,822,087	23,297,809	30,119,896
Buildings	2,477,110	3,231,329	5,708,439	2,477,110	3,231,329	5,708,439
Improvements	272,932	31,921	304,853	272,932	31,921	304,853
Equipment	4,205,674	2,185,853	6,391,527	4,053,599	2,173,934	6,227,533
Vehicles	2,368,384	197,982	2,566,366	2,297,646	197,982	2,495,628
Less: Accumulated						
Depreciation	(7,068,800)	(12,737,111)	(19,805,911)	(6,605,797)	(12,114,925)	(18,720,722)
Totals	\$ <u>17,672,046</u>	<u>22,962,528</u>	<u>40,634,574</u>	<u>11,463,713</u>	<u>21,296,777</u>	<u>32,760,490</u>

Overall, the net capital assets increased by \$7.9 million (24.0 percent), from those reported one year prior as current year additions of \$9.0 million were greater than current year depreciation of \$1.1 million (\$463,003 for governmental activities and \$622,186 for business-type activities). Significant capital asset additions for governmental activities included industrial park infrastructure projects of \$5.7 million (recorded in construction-in-progress) and street construction/rehabilitation of \$720,742. In business-type activities, virtually all of current year additions (\$2.3 million) were associated with ongoing utility projects, mainly the extension of waterlines as well as the ongoing wastewater treatment plant improvement.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

LONG-TERM DEBT AND COMMITMENTS

At December 31, 2021 the City's governmental activities reported total long-term debt and commitment obligations of \$9.9 million compared to the \$7.9 million reported one year prior. During the current year, the City obtained \$3.4 million of SIB loans to provide financing for infrastructure improvement projects, made \$110,000 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 (\$477,925 outstanding), including premium, were issued for the expansion of the public safety facilities within the City. The City also entered a capital lease obligation during a prior year to finance the acquisition of equipment. Approximately \$1.5 million of governmental activities debt and commitment obligations will be due for payment within the next year.

The City's long-term obligations of business-type activities at December 31, 2021 consisted of one general obligation bond issue of \$3.3 million; capital lease obligations of \$169,296; and several loans through the Ohio Public Works Commission (OPWC) totaling \$2.4 million. Principal payments during the year reduced business-type activities debt obligations by \$415,816 while an additional \$421,914 is due for payment in 2022.

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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,524,399	1,340,723	4,865,122
Receivables:			
Taxes	2,860,049	-	2,860,049
Accounts	102,650	121,446	224,096
Special Assessments	411,915	-	411,915
TIF	1,856,020	-	1,856,020
Intergovernmental	1,613,748	1,538,750	3,152,498
Prepaid Items	44,781	1,911	46,692
Materials and Supplies Inventory	51,202	3,000	54,202
Net OPEB Asset	103,221	55,518	158,739
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,436,809	-	1,436,809
Construction in Progress	6,437,108	6,754,745	13,191,853
Capital assets, net of accumulated depreciation	<u>9,798,129</u>	<u>16,207,783</u>	<u>26,005,912</u>
Total Assets	<u>28,240,031</u>	<u>26,023,876</u>	<u>54,263,907</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension and OPEB	<u>953,699</u>	<u>73,241</u>	<u>1,026,940</u>
Total Deferred Outflows of Resources	<u>953,699</u>	<u>73,241</u>	<u>1,026,940</u>
LIABILITIES:			
Accounts Payable	55,353	1,609	56,962
Contracts Payable	1,141,097	1,538,750	2,679,847
Accrued Wages and Benefits	40,706	15,838	56,544
Due to Other Governments	15,735	2,217	17,952
Accrued Interest Payable	1,150	9,108	10,258
Noncurrent Liabilities:			
Due Within One Year	1,578,610	479,827	2,058,437
Due In More Than One Year:			
Net OPEB Liability	241,845	-	241,845
Net Pension Liability	2,573,479	399,312	2,972,791
Other	<u>8,548,469</u>	<u>5,608,212</u>	<u>14,156,681</u>
Total Liabilities	<u>14,196,444</u>	<u>8,054,873</u>	<u>22,251,317</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes	2,123,267	-	2,123,267
TIF	1,856,020	-	1,856,020
Pension and OPEB	<u>943,078</u>	<u>391,556</u>	<u>1,334,634</u>
Total Deferred Inflows of Resources	<u>4,922,365</u>	<u>391,556</u>	<u>5,313,921</u>
NET POSITION:			
Net Investment in Capital Assets	10,994,077	17,035,001	28,029,078
Restricted for:			
Public Safety Services	535,767	-	535,767
Transportation	1,303,940	-	1,303,940
Street Lights	657,663	-	657,663
Debt Service	3,203	-	3,203
Other Purposes	51,652	-	51,652
Unrestricted	<u>(3,471,381)</u>	<u>615,687</u>	<u>(2,855,694)</u>
Total Net Position	<u>\$ 10,074,921</u>	<u>17,650,688</u>	<u>27,725,609</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
Security of Persons and Property	\$ 2,782,761	634,590	216,555	-	(1,931,616)		(1,931,616)
Public Health Services	15,696	16,952	-	-	1,256		1,256
Leisure Time Activities	39,365	1,601	-	-	(37,764)		(37,764)
Community Environment	622,951	616,397	-	-	(6,554)		(6,554)
Transportation	562,540	-	594,469	-	31,929		31,929
Economic Development	331,795	-	-	1,322,810	991,015		991,015
General Government	1,224,497	159,908	-	52,647	(1,011,942)		(1,011,942)
Interest and Fiscal Charges	17,121	-	-	-	(17,121)		(17,121)
Total Governmental Activities	5,596,726	1,429,448	811,024	1,375,457	(1,980,797)		(1,980,797)
Business-Type Activities:							
Water	688,409	719,658	-	1,637,492		1,668,741	1,668,741
Sewer	727,513	1,083,623	-	-		356,110	356,110
Stormwater	214,884	139,108	-	-		(75,776)	(75,776)
Total Business-Type Activities	1,630,806	1,942,389	-	1,637,492		1,949,075	1,949,075
Total	7,227,532	3,371,837	811,024	3,012,949	(1,980,797)	1,949,075	(31,722)
General Revenues and Transfers:							
Taxes:							
Income Taxes for General Operations					2,970,100	-	2,970,100
Property Taxes, Levied for:							
General Operations					207,900	-	207,900
Security of Persons and Property					1,795,949	-	1,795,949
Transportation					255,114	-	255,114
TIF Service Payments					1,870,296	-	1,870,296
Grants and Contributions not Restricted to Specific Programs					167,144	-	167,144
Investment Income					2,585	951	3,536
Other Revenue					288,946	27,932	316,878
Transfers					(297,978)	297,978	-
Total General Revenues and Transfers					7,260,056	326,861	7,586,917
Change in Net Position					5,279,259	2,275,936	7,555,195
Net Position, Beginning of Year					4,795,662	15,374,752	20,170,414
Net Position, End of Year					10,074,921	17,650,688	27,725,609

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,654,941	68,318	363,497	23
Receivables:				
Taxes	868,365	1,034,715	676,543	-
Accounts	18,042	-	32,016	-
Special Assessments	18,840	-	-	-
TIF	-	-	-	1,856,020
Intergovernmental	79,194	73,219	37,920	1,157,977
Prepaid Items	37,370	4,007	2,767	-
Materials and Supplies Inventory	24,091	-	396	-
	<u>2,700,843</u>	<u>1,180,259</u>	<u>1,113,139</u>	<u>3,014,020</u>
Total Assets	\$ <u>2,700,843</u>	<u>1,180,259</u>	<u>1,113,139</u>	<u>3,014,020</u>
LIABILITIES:				
Accounts Payable	\$ 8,102	-	-	-
Contracts Payable	-	-	-	1,141,097
Accrued Wages and Benefits	3,819	12,769	19,638	-
Due to Other Governments	535	2,490	4,713	7,369
	<u>12,456</u>	<u>15,259</u>	<u>24,351</u>	<u>1,148,466</u>
Total Liabilities	<u>12,456</u>	<u>15,259</u>	<u>24,351</u>	<u>1,148,466</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes	192,166	1,003,152	656,343	-
TIF	-	-	-	1,856,020
Unavailable Revenue	579,299	99,248	89,285	-
	<u>771,465</u>	<u>1,102,400</u>	<u>745,628</u>	<u>1,856,020</u>
Total Deferred Inflows of Resources	<u>771,465</u>	<u>1,102,400</u>	<u>745,628</u>	<u>1,856,020</u>
FUND BALANCES:				
Nonspendable:				
Prepaid Items	37,370	4,007	2,767	-
Material and Supplies Inventory	24,091	-	396	-
Restricted:				
Security of Person and Property	-	58,593	339,997	-
Street Repair and Maintenance	-	-	-	-
Street Lighting	-	-	-	-
Economic Development	-	-	-	9,534
Debt Service	-	-	-	-
Other	-	-	-	-
Committed:				
Community Environment	-	-	-	-
Assigned:				
Recreation Programs	96,827	-	-	-
Subsequent Purchases	52,685	-	-	-
Subsequent Appropriations	1,399,730	-	-	-
Unassigned	306,219	-	-	-
	<u>1,916,922</u>	<u>62,600</u>	<u>343,160</u>	<u>9,534</u>
Total Fund Balances	<u>1,916,922</u>	<u>62,600</u>	<u>343,160</u>	<u>9,534</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>2,700,843</u>	<u>1,180,259</u>	<u>1,113,139</u>	<u>3,014,020</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2021

Nonmajor Governmental Funds	Total Governmental Funds		\$ 3,837,623
1,437,620	3,524,399	Total Governmental Fund Balances	
280,426	2,860,049	<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
52,592	102,650	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	17,672,046
393,075	411,915	Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.	
-	1,856,020	Income Taxes	468,609
265,438	1,613,748	Property Taxes	66,654
637	44,781	Intergovernmental	398,578
26,715	51,202	Charges for Services	49,207
2,456,503	10,464,764	Special Assessments	411,915
47,251	55,353	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
-	1,141,097	General Obligation Bonds	(460,000)
4,480	40,706	Unamortized Bond Premium	(17,925)
628	15,735	Accrued Interest Payable	(1,150)
52,359	1,252,891	Capital Lease Obligation	(101,064)
271,606	2,123,267	Intergovernmental Commitment	(5,873,842)
-	1,856,020	State Infrastructure Bank (SIB) Loan	(3,412,574)
627,131	1,394,963	Compensated Absences	(261,674)
898,737	5,374,250	The net pension and OPEB asset and liabilities are not available or due and payable in the current period; therefore, the asset/liabilities and the related deferred inflows/outflows are not reported in the governmental funds:	
637	44,781	Net OPEB Asset	103,221
26,715	51,202	Deferred Outflows - Pension and OPEB	953,699
2,281	400,871	Deferred Inflows - Pension and OPEB	(943,078)
1,088,903	1,088,903	Net OPEB Liability	(241,845)
307,577	307,577	Net Pension Liability	(2,573,479)
-	9,534	Net Position of Governmental Activities	\$ <u>10,074,921</u>
4,353	4,353		
52,482	52,482		
22,459	22,459		
-	96,827		
-	52,685		
-	1,399,730		
-	306,219		
1,505,407	3,837,623		
2,456,503	10,464,764		

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, 2021

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund
REVENUES:				
Income Taxes	\$ 2,783,311	-	-	-
Property Taxes	204,000	1,060,391	693,240	-
TIF Service Payments	-	-	-	1,870,296
Intergovernmental Revenue	212,514	136,226	76,081	185,890
Charges for Services	102,144	5,534	247,744	-
Special Assessments	-	-	-	-
Fines, Licenses and Permits	73,036	-	-	-
Investment Income	1,198	110	272	44
Developers Contributions	-	-	-	776,000
Other Revenue	179,499	42,198	7,532	6,360
Total Revenues	<u>3,555,702</u>	<u>1,244,459</u>	<u>1,024,869</u>	<u>2,838,590</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	-	1,403,038	845,689	-
Public Health Services	-	-	-	-
Leisure Time Activities	66,275	-	-	-
Community Environment	-	-	-	-
Transportation	-	-	-	-
Economic Development	-	-	-	1,628,358
General Government	1,452,403	-	-	-
Capital Outlay	1,511,202	31,964	15,023	5,156,751
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>3,029,880</u>	<u>1,435,002</u>	<u>860,712</u>	<u>6,785,109</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>525,822</u>	<u>(190,543)</u>	<u>164,157</u>	<u>(3,946,519)</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	3,412,574
Sale of Capital Assets	10,425	-	-	-
Transfers In	-	75,000	-	-
Transfers Out	(95,000)	(21,300)	(104,700)	-
Total Other Financing Sources (Uses)	<u>(84,575)</u>	<u>53,700</u>	<u>(104,700)</u>	<u>3,412,574</u>
Net Change in Fund Balances	441,247	(136,843)	59,457	(533,945)
Fund Balance, Beginning of Year	<u>1,475,675</u>	<u>199,443</u>	<u>283,703</u>	<u>543,479</u>
Fund Balance, End of Year	\$ <u>1,916,922</u>	<u>62,600</u>	<u>343,160</u>	<u>9,534</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

Nonmajor Governmental Funds	Total Governmental Funds		
		Total Net Change in Fund Balances - Governmental Funds	\$ 80,616
-	2,783,311	Amounts reported for governmental activities in the statement of activities are different because:	
287,064	2,244,695	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.	
-	1,870,296	Capital Asset Additions	6,671,336
951,728	1,562,439	Current Year Depreciation	(463,003)
633,349	988,771	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	199,322
384,562	384,562	Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	122,393
-	73,036	Contractually required payments to the Montgomery County Transportation Improvement District are recorded as economic development expenditures in the funds; however on the statement of net position, a portion of those expenditures reduce the City's long-term intergovernmental commitment.	1,357,702
961	2,585	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:	
-	776,000	Compensated Absences	(25,361)
9,932	245,521	Accrued Interest	183
<u>2,267,596</u>	<u>10,931,216</u>	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.	277,811
421,505	2,670,232	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.	467,805
20,504	20,504	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.	(3,412,574)
-	66,275	Change in Net Position of Governmental Activities	<u>\$ 5,279,259</u>
654,361	654,361		
478,299	478,299		
-	1,628,358		
-	1,452,403		
478,501	7,193,441		
122,393	122,393		
20,333	20,333		
<u>2,195,896</u>	<u>14,306,599</u>		
<u>71,700</u>	<u>(3,375,383)</u>		
-	3,412,574		
33,000	43,425		
146,000	221,000		
-	(221,000)		
<u>179,000</u>	<u>3,455,999</u>		
250,700	80,616		
<u>1,254,707</u>	<u>3,757,007</u>		
<u>1,505,407</u>	<u>3,837,623</u>		

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Fund Net Position
Enterprise Funds
December 31, 2021

	Water	Sewer	Stormwater	Total
Assets:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 743,574	457,962	139,187	1,340,723
Accounts Receivable	41,329	66,816	13,301	121,446
Intergovernmental Receivable	1,538,750	-	-	1,538,750
Supplies Inventory	3,000	-	-	3,000
Prepaid Items	637	637	637	1,911
Total Current Assets	<u>2,327,290</u>	<u>525,415</u>	<u>153,125</u>	<u>3,005,830</u>
Non-current Assets:				
Net OPEB Asset	24,936	27,383	3,199	55,518
Capital Assets:				
Nondepreciable Capital Assets	1,996,889	4,602,097	155,759	6,754,745
Depreciable Capital Assets, Net	6,143,515	5,158,188	4,906,080	16,207,783
Total Non-current Assets	<u>8,165,340</u>	<u>9,787,668</u>	<u>5,065,038</u>	<u>23,018,046</u>
Total Assets	<u>10,492,630</u>	<u>10,313,083</u>	<u>5,218,163</u>	<u>26,023,876</u>
Deferred Outflows of Resources:				
Pension and OPEB	13,949	52,800	6,492	73,241
Total Deferred Outflows of Resources	<u>13,949</u>	<u>52,800</u>	<u>6,492</u>	<u>73,241</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	1,609	-	-	1,609
Contracts Payable	1,538,750	-	-	1,538,750
Accrued Wages and Benefits	4,346	10,913	579	15,838
Accrued Interest Payable	-	9,108	-	9,108
Due to Other Governments	608	1,528	81	2,217
Compensated Absences Payable	29,552	24,913	3,448	57,913
Issue II Loans Payable	102,229	36,123	6,647	144,999
Capital Lease Payable	12,305	12,305	12,305	36,915
General Obligation Bonds Payable	-	240,000	-	240,000
Total Current Liabilities	<u>1,689,399</u>	<u>334,890</u>	<u>23,060</u>	<u>2,047,349</u>
Long Term Liabilities:				
Compensated Absences Payable	52,355	44,136	6,108	102,599
Issue II Loans Payable	1,887,786	241,521	145,379	2,274,686
Capital Lease Payable	44,346	44,293	43,742	132,381
General Obligation Bonds Payable	-	3,098,546	-	3,098,546
Net Pension Liability	156,794	215,967	26,551	399,312
Total Long Term Liabilities	<u>2,141,281</u>	<u>3,644,463</u>	<u>221,780</u>	<u>6,007,524</u>
Total Liabilities	<u>3,830,680</u>	<u>3,979,353</u>	<u>244,840</u>	<u>8,054,873</u>
Deferred Inflows of Resources:				
Pension and OPEB	166,539	197,680	27,337	391,556
Total Deferred Inflows of Resources	<u>166,539</u>	<u>197,680</u>	<u>27,337</u>	<u>391,556</u>
Net Position:				
Net Investment in Capital Assets	6,093,738	6,087,497	4,853,766	17,035,001
Unrestricted	415,622	101,353	98,712	615,687
Total Net Position	<u>\$ 6,509,360</u>	<u>6,188,850</u>	<u>4,952,478</u>	<u>17,650,688</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2021

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 616,597	1,045,162	139,032	1,800,791
Tap-In Fees	55,053	29,800	-	84,853
Other Operating Revenue	48,008	8,661	76	56,745
Total Operating Revenue	<u>719,658</u>	<u>1,083,623</u>	<u>139,108</u>	<u>1,942,389</u>
Operating Expenses:				
Personal Services	218,488	197,338	42,621	458,447
Contractual Services	129,505	136,330	17,121	282,956
Supplies and Materials	46,808	41,956	4,008	92,772
Other Expenses	64,212	1,005	128	65,345
Depreciation	227,264	246,047	148,875	622,186
Total Operating Expenses	<u>686,277</u>	<u>622,676</u>	<u>212,753</u>	<u>1,521,706</u>
Operating Income (Loss)	<u>33,381</u>	<u>460,947</u>	<u>(73,645)</u>	<u>420,683</u>
Non-Operating Revenues (Expenses):				
Interest	473	394	84	951
Interest and Fiscal Charges	(2,132)	(104,837)	(2,131)	(109,100)
Property Rental Revenue	22,478	5,454	-	27,932
Total Non-Operating Revenues (Expenses)	<u>20,819</u>	<u>(98,989)</u>	<u>(2,047)</u>	<u>(80,217)</u>
Income (Loss) Before Capital Contributions	54,200	361,958	(75,692)	340,466
Capital Contributions	<u>1,637,492</u>	<u>297,978</u>	<u>-</u>	<u>1,935,470</u>
Change in Net Position	1,691,692	659,936	(75,692)	2,275,936
Net Position at Beginning of Year	<u>4,817,668</u>	<u>5,528,914</u>	<u>5,028,170</u>	<u>15,374,752</u>
Net Position at End of Year	<u>\$ 6,509,360</u>	<u>6,188,850</u>	<u>4,952,478</u>	<u>17,650,688</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2021

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 724,344	1,087,139	137,538	1,949,021
Cash Payments to Employees for Services and Benefits	(336,201)	(371,066)	(65,270)	(772,537)
Cash Payments to Suppliers for Goods and Services	(240,105)	(179,318)	(21,284)	(440,707)
Net Cash Provided by Operating Activities	148,038	536,755	50,984	735,777
Cash Flows from Noncapital Financing Activities:				
Property Rental Receipts	22,478	5,454	-	27,932
Net Cash Provided by Noncapital Financing Activities	22,478	5,454	-	27,932
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(177,453)	(273,756)	-	(451,209)
Capital Grant	98,742	-	-	98,742
Principal Paid on Capital Leases	(11,939)	(11,939)	(11,940)	(35,818)
Principal Paid on Bonds	-	(235,000)	-	(235,000)
Principal Paid on Loans	(102,227)	(36,124)	(6,647)	(144,998)
Interest Paid	(2,132)	(116,133)	(2,131)	(120,396)
Net Cash Used in Capital and Related Financing Activities	(195,009)	(672,952)	(20,718)	(888,679)
Cash Flows from Investing Activities:				
Interest	473	394	84	951
Net Cash Provided by Investing Activities	473	394	84	951
Net Increase (Decrease) in Cash and Cash Equivalents	(24,020)	(130,349)	30,350	(124,019)
Cash and Cash Equivalents Beginning of Year	767,594	588,311	108,837	1,464,742
Cash and Cash Equivalents End of Year	\$ 743,574	457,962	139,187	1,340,723
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>				
Operating Income (Loss)	\$ 33,381	460,947	(73,645)	420,683
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	227,264	246,047	148,875	622,186
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	4,686	3,516	(1,570)	6,632
(Increase) Decrease in Supplies Inventory	120	-	-	120
(Increase) Decrease in Prepaid Items	(27)	(27)	(27)	(81)
(Increase) Decrease in Net OPEB Asset	(24,936)	(27,383)	(3,199)	(55,518)
(Increase) Decrease in Deferred Outflows	33,839	39,893	3,614	77,346
Increase (Decrease) in Accounts Payable	327	-	-	327
Increase (Decrease) in Accrued Salaries Payable	(68)	7,715	136	7,783
Increase (Decrease) in Due to Other Governments	(10)	1,080	19	1,089
Increase (Decrease) in Compensated Absences Payable	16,815	12,888	(388)	29,315
Increase (Decrease) in Net OPEB Liability	(139,104)	(203,255)	(22,286)	(364,645)
Increase (Decrease) in Net Pension Liability	(75,521)	(82,933)	(9,688)	(168,142)
Increase (Decrease) in Deferred Inflows	71,272	78,267	9,143	158,682
Net Cash Provided by Operating Activities	\$ 148,038	536,755	50,984	735,777
Capital and Related Financing Activities - Noncash Activity:				
Capital assets financed from governmental funds	\$ -	\$ 297,978	\$ -	\$ 297,978
Capital assets acquired through contracts payable	1,538,750	-	-	1,538,750
Capital grant recorded as intergovernmental receivable	1,538,750	-	-	1,538,750

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Proprietary Fund Types

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

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

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

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

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

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transaction

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. For the City, deferred outflows of resources include a deferral of amounts payable associated with pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained further in Notes 9 and 10.

In addition to liabilities, the statements of financial position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until then. For the City, deferred inflows of resources include property taxes, tax incremental financing (TIF), unavailable revenues, and pension and OPEB plans. Property taxes and TIF represent amounts for which there is an enforceable legal claim as of December 31, 2021, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund balance sheet. TIF payments represent reallocation of additional property taxes generated by the improvements noted in the previous paragraph to be used for debt retirement. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. These amounts are recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and further explained in Notes 9 and 10.

Expenses/Expenditures

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

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

Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents".

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City has funds invested in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2021. 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, 2021. 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.

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

Interest revenue is distributed to the funds according to statutory requirements. Interest revenue earned during 2021 amounted to \$2,585 and \$951 in the governmental funds and proprietary funds, respectively.

Materials and Supplies Inventory

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

Internal Balances

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances". For the year ended December 31, 2021, the City reported no internal balance transactions.

Capital Assets

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences

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

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021, none of the reported \$2.6 million in restricted net position was restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

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

Use of Estimates

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

For 2021, the City implemented Government Accounting Standards Board (GASB) Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction*, which requires interest incurred during a construction period to be expensed in the current period rather than including such interest as part of the capitalized value of the capital asset.

Pending Statement

GASB issued Statement No. 87, *Leases*, which is effective for the City for the year ended December 31, 2022. GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases in the financial statements for which were previously classified as operating leases and recognizes inflows of resources and outflows of resources based on the payment provisions of the applicable contractual agreement. The impact of implementing the provisions of GASB Statement No. 87 on the City's financial statements cannot be determined at this time.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

At year-end, the carrying amount of the City's deposits was \$660,821 and the bank balance was \$928,111. At December 31, 2021, \$678,111 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 \$4,204,301. 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 2021 for real and public utility property taxes represents collections of the 2020 taxes.

The 2021 real property taxes are levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2021 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. 2021 public utility property taxes became a lien December 31, 2020, are levied after October 1, 2021, and are collected in the subsequent year along with real property taxes.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 5 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2021 was \$23.53 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2021 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 125,861,980
Public Utility Tangible Personal Property Assessed Valuation	<u>2,314,050</u>
Total Assessed Valuation	<u>\$ 128,176,030</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility tangible personal property taxes, as well as outstanding delinquencies which are measurable as of December 31, 2021, 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 2021 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.

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CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 1,436,809	-	-	\$ 1,436,809
Construction in Progress	709,327	5,727,781	-	6,437,108
Total Non-depreciable capital assets	2,146,136	5,727,781	-	7,873,917
Depreciable capital assets:				
Buildings	2,477,110	-	-	2,477,110
Equipment	4,053,599	152,075	-	4,205,674
Infrastructure	6,822,087	720,742	-	7,542,829
Improvements	272,932	-	-	272,932
Vehicles	2,297,646	70,738	-	2,368,384
Total depreciable capital assets	15,923,374	943,555	-	16,866,929
Less: accumulated depreciation				
Buildings	(921,861)	(56,529)	-	(978,390)
Equipment	(3,051,778)	(131,029)	-	(3,182,807)
Infrastructure	(666,707)	(169,434)	-	(836,141)
Improvements	(77,575)	(10,382)	-	(87,957)
Vehicles	(1,887,876)	(95,629)	-	(1,983,505)
Total accumulated depreciation	(6,605,797)	(463,003) *	-	(7,068,800)
Depreciable capital assets, net	9,317,577	480,552	-	9,798,129
Governmental Activities				
Capital Assets, Net	\$ 11,463,713	6,208,333	-	\$ 17,672,046

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

General Government	\$ 157,421
Security of Persons and Property	87,971
Transportation	217,611
Total Depreciation Expense	<u>\$ 463,003</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021
Business-Type Activities:				
Non-depreciable capital assets:				
Construction in Progress	\$ 4,478,727	2,276,018	-	\$ 6,754,745
Depreciable capital assets:				
Buildings	3,231,329	-	-	3,231,329
Equipment	2,173,934	11,919	-	2,185,853
Infrastructure	23,297,809	-	-	23,297,809
Improvements	31,921	-	-	31,921
Vehicles	197,982	-	-	197,982
Total depreciable capital assets	28,932,975	11,919	-	28,944,894
Less: accumulated depreciation				
Buildings	(2,812,337)	(39,393)	-	(2,851,730)
Equipment	(1,223,069)	(96,695)	-	(1,319,764)
Infrastructure	(7,905,279)	(473,364)	-	(8,378,643)
Improvements	(7,569)	(722)	-	(8,291)
Vehicles	(166,671)	(12,012)	-	(178,683)
Total accumulated depreciation	(12,114,925)	(622,186) *	-	(12,737,111)
Depreciable capital assets, net	16,818,050	(610,267)	-	16,207,783
Business-Type Activities				
Capital Assets, Net	\$ 21,296,777	1,665,751	-	\$ 22,962,528

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

Water	\$ 227,264
Sewer	246,047
Stormwater	148,875
Total Depreciation Expense	\$ 622,186

NOTE 8 - RECEIVABLES

Receivables at December 31, 2021 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, 2021 were \$121,446. The intergovernmental receivable reported in the water fund was associated with an ongoing capital project and received subsequent to year-end.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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):

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2103
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit.	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit.	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit.
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.	Formula: 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 2021, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$206,915 for 2021. Of this amount, \$3,379 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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$139,590 for 2021. Of this amount, \$7,203 is reported in the due to other governments liability.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,416,722	\$ 1,556,069	\$ 2,972,791
Proportion of the net pension liability			
Current measurement date	0.009567%	0.022826%	
Prior measurement date	<u>0.009600%</u>	<u>0.021964%</u>	
Change in proportionate share	<u>-0.000033%</u>	<u>0.000862%</u>	
Pension expense/(negative expense)	\$ (21,648)	\$ 221,822	\$ 200,174

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Difference between expected and actual experience	\$ -	\$ 65,048	\$ 65,048
Change in assumptions	-	26,096	26,096
Change in City's proportionate share and difference in employer contributions	-	292,088	292,088
City contributions subsequent to the measurement date	<u>206,915</u>	<u>139,590</u>	<u>346,505</u>
Total	<u>\$ 206,915</u>	<u>\$ 522,822</u>	<u>\$ 729,737</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 59,263	\$ 60,619	\$ 119,882
Net difference between projected and actual earnings on pension plan investments	552,197	75,480	627,677
Change in City's proportionate share and difference in employer contributions	<u>8,376</u>	<u>621</u>	<u>8,997</u>
Total	<u>\$ 619,836</u>	<u>\$ 136,720</u>	<u>\$ 756,556</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

\$346,505 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, 2022. 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:			
2022	\$ (239,975)	\$ 94,440	\$ (145,535)
2023	(79,455)	116,969	37,514
2024	(225,094)	2,036	(223,058)
2025	(75,312)	24,662	(50,650)
2026	-	8,405	8,405
	\$ (619,836)	\$ 246,512	\$ (373,324)

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, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple Post 1/7/2013 retirees: 0.5% simple through 2021, then 2.15% simple
Investment rate of return	7.20%
Actuarial cost method	Individual entry age

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

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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, 2020, these best estimates are summarized in the following table:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$ 2,702,372	\$ 1,416,722	\$ 347,675

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Changes Subsequent to the Measurement Date. In September 2021, the Board approved several changes to the pension plan based on the completed five-year experience study covering the period 2016-2020. In addition to other changes, the Board approved to decrease the assumed pension investment rate of return from 7.20% to 6.90%. These changes are not reflected in the current measurement period but are expected to increase the associated pension liability.

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2020 is based on the results of an actuarial valuation date of January 1, 2020, and rolled forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of 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, 2020, are presented below:

Valuation date	January 1, 2020 with actuarial liabilities rolled forward to December 31, 2020
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% to 10.50%
Payroll growth	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% simple per year

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

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

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

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in 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, 2020 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	0.00%	0.00%
Domestic equity	21.00%	4.10%
Non-U.S. equity	14.00%	4.80%
Private markets	8.00%	6.40%
Core fixed income*	23.00%	0.90%
High yield fixed income	7.00%	3.00%
Private credit	5.00%	4.50%
U.S. inflation linked bonds*	17.00%	0.70%
Midstream energy infrastructure	5.00%	5.60%
Real assets	8.00%	5.80%
Gold	5.00%	1.90%
Private real estate	<u>12.00%</u>	5.30%
Total	<u>125.00%</u>	

Note: Assumptions are geometric.

* - levered 2.5x

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

Discount Rate. The total pension liability was calculated using the discount rate of 8.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0%), or one percentage point higher (9.0%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 2,166,247	\$ 1,556,069	\$ 1,045,411

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.

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

(continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and 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.

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.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.0%.

For the year ended December 31, 2021, OPERS did not allocate any of the City's employer contributions to postemployment health care.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an 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.

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 2021, the portion of the employer contributions allocated to health care was 0.5% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Section 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$3,673 for 2021. Of this amount, \$162 is reported in the due to other governments liability.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

(continued)

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, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability/(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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net			
OPEB Asset	\$ 158,739	\$ -	\$ 158,739
OPEB Liability	-	241,845	241,845
Proportion of the net OPEB asset/liability			
Current measurement date	0.008910%	0.022826%	
Prior measurement date	0.008940%	0.021964%	
Change in proportionate share	<u>-0.000030%</u>	<u>0.000862%</u>	
OPEB expense (negative expense)	\$ (988,615)	\$ 40,726	\$ (947,889)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Change in assumptions	\$ 78,038	\$ 133,608	\$ 211,646
Change in City's proportionate share and difference in employer contributions	-	81,884	81,884
City contributions subsequent to the measurement date	<u>-</u>	<u>3,673</u>	<u>3,673</u>
Total	<u>\$ 78,038</u>	<u>\$ 219,165</u>	<u>\$ 297,203</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 143,262	\$ 39,891	\$ 183,153
Net difference between projected and actual earnings on OPEB plan investments	84,547	8,988	93,535
Change in assumptions	257,206	38,554	295,760
Change in City's proportionate share and difference in employer contributions	<u>5,630</u>	<u>-</u>	<u>5,630</u>
Total	<u>\$ 490,645</u>	<u>\$ 87,433</u>	<u>\$ 578,078</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

(continued)

\$3,673 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, 2022. 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:			
2022	\$ (217,123)	\$ 27,647	\$ (189,476)
2023	(148,781)	29,775	(119,006)
2024	(36,741)	26,420	(10,321)
2025	(9,962)	27,021	17,059
2026	-	9,563	9,563
Thereafter	-	7,633	7,633
	\$ (412,607)	\$ 128,059	\$ (284,548)

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, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement period	6.00%
Prior measurement period	3.16%
Investment rate of return	6.00%
Municipal bond rate:	
Current measurement period	2.00%
Prior measurement period	2.75%
Health care cost trend rate:	
Current measurement period	8.5% initial, 3.50% ultimate in 2035
Prior measurement period	10.5% initial, 3.50% ultimate in 2030
Actuarial cost method	Individual entry age

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

(continued)

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future 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 Health Care portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

(continued)

Discount Rate. A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

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 (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB asset	\$ 39,484	\$ 158,739	\$ 256,870

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB asset	\$ 162,661	\$ 158,739	\$ 154,461

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

(continued)

Actuarial Assumptions - OP&F

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

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

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

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

Actuarial valuation date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	3.25%
Single discount rate:	
Current measurement date	2.96%
Prior measurement date	3.56%
Municipal bond rate:	
Current measurement date	2.12%
Prior measurement date	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 according to the rates in the table that follows, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

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

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, 2020 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.00%
Domestic equity	21.0%	4.10%
Non-U.S. equity	14.0%	4.80%
Private markets	8.0%	6.40%
Core fixed income*	23.0%	0.90%
High yield fixed income	7.0%	3.00%
Private credit	5.0%	4.50%
U.S. inflation linked bonds*	17.0%	0.70%
Midstream energy infrastructure	5.0%	5.60%
Real assets	8.0%	5.80%
Gold	5.0%	1.90%
Private real estate	12.0%	5.30%
Total	125.00%	

*Note: Assumptions are geometric. * Levered 2.5x*

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

Discount Rate. Total OPEB liability was calculated using the discount rate of 2.96%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 2.12% at December 31, 2020 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 2.96%.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 2.96%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.96%) and 1% point higher (3.96%) than the current discount rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability	\$ 301,567	\$ 241,845	\$ 192,581

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 \$228,526 at December 31, 2021.

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, 2021 was \$193,660.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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 2021 the City renewed their contract with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
General Liability	\$ 5,000,000	no deductible
Police Liability	5,000,000	\$ 2,500
Errors and Omissions	5,000,000	2,500
Automobile	5,000,000	1,000
Property Insurance	11,565,858	1,000
Terrorism	14,454,799	25,000
Equipment	11,915,295	1,000
Special Property	1,892,992	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 2021, the City provided employee medical insurance benefits through United HealthCare. The City covers the employee's premiums and deductibles by budgeting \$379,290 for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$6,000 after the employee pays the first \$1,000. If the money set aside is not depleted, the City places the excess into a savings account. In 2021, the City made no contributions to or withdrawals from the savings account and the account has a balance of \$138,037. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

The City has entered into lease agreements to finance the purchase of equipment, which is utilized by the streets and utility departments. These leases meet the criteria to be classified as a capital leases where in both the benefits and risks of ownership were transferred to the lessee.

Capital lease payments have been reclassified and are reflected as debt service in the respective funds instead of the functional expenditures reported on a budgetary basis. The equipment purchased in 2019 and 2016 has been capitalized on the statement of net position as equipment for \$511,900, which is the present value of the total minimum lease payments to be made under the agreements. Principal payments in 2021 for capital leases were \$48,211.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 13 - CAPITALIZED LEASES (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payments as of December 31, 2021.

Year ending December 31,	Capital Lease Obligation
2022	\$ 58,939
2023	58,940
2024	58,940
2025	58,940
2026	22,008
2027-2028	44,016
Total minimum lease payments	301,783
Less: Amount representing interest	(31,423)
Minimum lease payments	<u>\$ 270,360</u>

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Amount Due In One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 570,000	\$ -	\$ (110,000)	\$ 460,000	\$ 70,000
Bond Premiums	20,954	-	(3,029)	17,925	-
Direct Borrowing - State Infrastructure Bank	-	3,412,574	-	3,412,574	-
<u>Other Obligations:</u>					
Capital lease obligation	113,457	-	(12,393)	101,064	12,866
Intergovernmental Commitment	7,231,544	-	(1,357,702)	5,873,842	1,401,320
Compensated Absences	236,313	111,682	(86,321)	261,674	94,424
<u>Net Pension Liability:</u>					
OPERS	1,330,031	-	(312,621)	1,017,410	-
OP&F	1,479,602	76,467	-	1,556,069	-
<u>Net OPEB Liability:</u>					
OPERS	870,250	-	(870,250)	-	-
OP&F	216,953	24,892	-	241,845	-
Total governmental activities	<u>\$ 12,069,104</u>	<u>\$ 3,625,615</u>	<u>\$ (2,752,316)</u>	<u>\$ 12,942,403</u>	<u>\$ 1,578,610</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 3,400,000	\$ -	\$ (235,000)	\$ 3,165,000	\$ 240,000
Bond Premiums	184,450	-	(10,904)	173,546	-
Direct Borrowing - OPWC Loans	2,564,683	-	(144,998)	2,419,685	144,999
<u>Other Obligations:</u>					
Capital lease obligation	205,114	-	(35,818)	169,296	36,915
Compensated Absences	131,197	73,778	(44,463)	160,512	57,913
<u>Net Pension Liability:</u>					
OPERS	567,454	-	(168,142)	399,312	-
<u>Net OPEB Liability:</u>					
OPERS	364,645	-	(364,645)	-	-
Total business-type activities	<u>\$ 7,417,543</u>	<u>\$ 73,778</u>	<u>\$ (1,003,970)</u>	<u>\$ 6,487,351</u>	<u>\$ 479,827</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 70,000	\$ 13,800	\$ 240,000	\$ 109,300
2023	75,000	11,700	185,000	102,100
2024	75,000	9,450	190,000	96,550
2025	75,000	7,200	195,000	90,850
2026	80,000	4,950	200,000	85,000
2027-2031	85,000	2,550	900,000	339,225
2032-2036	-	-	1,025,000	172,200
2037	-	-	230,000	9,200
Total	<u>\$ 460,000</u>	<u>\$ 49,650</u>	<u>\$ 3,165,000</u>	<u>\$ 1,004,425</u>

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, 2021, the City had borrowed \$3,412,574 under this program leaving the remaining \$1,607,426 available for subsequent period(s). The repayment schedule for this loan will be officially established once the project is closed and final loan balance is established.

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

Project	Year of Loan	Original Loan Amount	Year of Maturity	Debt Service Made From
Rhinehart Rd Sanitary Pump Station	2008	\$ 279,273	2023	Sewer Fund
Phillipsburg-Union Rd. Sanitary Sewer	2008	496,822	2028	Sewer Fund
Sanitary Sewer Lagoon Aeration	2011	144,721	2041	Sewer Fund
Water Tower Construction	2010	1,405,000	2040	Water Fund
Shaw Rd Water Tank Recoating	2011	407,744	2031	Water Fund
Hawker Street Water Main Replacement	2014	87,914	2044	Water Fund
W. Martindale Water Main Replacement Phase I	2015	259,444	2046	Water Fund
W. Martindale Water Main Replacement Phase II	2018	295,351	2048	Water Fund
W. Martindale Water Main Replacement Phase III	2018	220,912	2048	Water Fund
W. Martindale Water Main Replacement Phase IV	2019	186,601	2050	Water Fund
Concord West Channel Rehabilitation	2012	50,000	2042	Storm Water Fund
Storm Sewer Lateral and Basin - Phase 1	2015	149,397	2045	Storm Water Fund

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Business-Type Activities			
Year	Principal	Year	Principal
2022	\$ 144,999	2027-2031	618,178
2023	141,768	2032-2036	466,558
2024	138,540	2037-2041	393,897
2025	138,539	2042-2046	182,484
2026	138,539	2047-2050	56,183
		Total	\$ 2,419,685

In September 2013, the City entered into a Financing and Implementation Agreement with the Montgomery County Transportation Improvement District (MCTID) to construct a new roadway for, as well as to provide necessary utilities to, the Global Logistics Air Park intended to support current and future development within the industrial park. Financing for this project was provided by the City, through a State Infrastructure Bank (SIB) loan obtained through the Montgomery County Port Authority, and grants provided by Montgomery County and the State of Ohio. Subsequent to the agreement, the Port Authority issued private placement bonds to provide the Montgomery County share of the project. Total estimated cost for the entire project was estimated to be \$13.2 million. Effective December 31, 2019, the MCTID released the infrastructure assets to the appropriate jurisdictions. In 2019, the City recorded contributed capital of \$4,006,622 in roadway infrastructure (governmental activities) and \$4,683,774 in utilities infrastructure; \$759,407, \$646,903, and \$3,277,465 in the water, sewer and storm water funds, respectively.

Associated with the transfer of the infrastructure assets noted above, the City recognized the contractual requirement to repay the outstanding debt as of December 31, 2019 associated with this project through TIF service payments transferred to the MCTID until said debt has matured. The outstanding debt consisted of \$8,026,760 in SIB loan and \$525,000 in private purpose bonds, both of which mature during calendar year 2025, the total of which equaled the long-term intergovernmental commitment of \$8,551,760 recorded by the City in 2019. During 2021, the City paid \$1,357,702 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
2022	\$ 1,401,320	\$ 172,200
2023	1,446,106	128,170
2024	1,487,095	82,816
2025	1,539,321	36,104
Total	\$ 5,873,842	\$ 419,290

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 15 - INTERFUND TRANSFERS AND BALANCES

The City had the following transfers during 2021:

Transfer from Fund	Transfer to Fund	Amount
General	Police Fund	\$ 75,000
	Other Governmental	20,000
Police	Other Governmental	21,300
Fire/EMS	Other Governmental	104,700
		\$ 221,000

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 include \$297,978 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, 2021 to December 31, 2021 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 - COMMITMENTS

Contractual Commitment

The City is in the process of updating and expanding the waste water treatment plant. As of December 31, 2021, there were \$80,224 of contractual commitments remaining associated with this project.

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the only open encumbrances relate to the Sewer Fund projects noted above, \$80,224, as well as \$52,685 reported in the General Fund.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Eight Years (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.009626%	\$ 1,134,780	\$ 1,023,046	110.92%	86.36%
2015	0.009626%	1,161,003	1,180,200	98.37%	86.45%
2016	0.009560%	1,655,921	1,189,842	139.17%	81.08%
2017	0.009290%	2,109,710	1,256,617	167.89%	77.25%
2018	0.010374%	1,627,431	1,370,892	118.71%	84.66%
2019	0.009683%	2,651,928	1,307,836	202.77%	74.70%
2020	0.009600%	1,897,485	1,350,693	140.48%	82.17%
2021	0.009567%	1,416,722	1,347,514	105.14%	86.88%

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

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

Notes to Schedule:

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

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Eight Years (1) (2)

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

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

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

Notes to Schedule:

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City Pension Contributions
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Nine Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 132,996	\$ (132,996)	-	\$ 1,023,046	13.00%
2014	141,624	(141,624)	-	1,180,200	12.00%
2015	142,781	(142,781)	-	1,189,842	12.00%
2016	150,794	(150,794)	-	1,256,617	12.00%
2017	178,216	(178,216)	-	1,370,892	13.00%
2018	183,097	(183,097)	-	1,307,836	14.00%
2019	189,097	(189,097)	-	1,350,693	14.00%
2020	188,652	(188,652)	-	1,347,514	14.00%
2021	206,915	(206,915)	-	1,477,964	14.00%

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City Pension Contributions
Ohio Police and Fire Pension Fund
Last Nine Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 58,638	\$ (58,638)	\$ -	\$ 343,314	17.08%
2014	60,850	(60,850)	-	298,870	20.36%
2015	60,533	(60,533)	-	301,309	20.09%
2016	74,490	(74,490)	-	382,000	19.50%
2017	70,294	(70,294)	-	369,968	19.00%
2018	79,759	(79,759)	-	419,784	19.00%
2019	107,736	(107,736)	-	567,032	19.00%
2020	120,896	(120,896)	-	636,295	19.00%
2021	139,590	(139,590)	-	734,684	19.00%

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Asset/Liability
Ohio Public Employees Retirement System
Last Five Years (1) (2)

	City's Proportion of the Net OPEB Asset/ Liability	City's Proportionate Share of the Net OPEB (Asset)/ Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB (Asset)/ Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.008690%	\$ 877,764	\$ 1,256,617	69.85%	54.05%
2018	0.009678%	1,051,000	1,370,892	76.67%	54.14%
2019	0.009017%	1,175,554	1,307,836	89.89%	46.33%
2020	0.008940%	1,234,895	1,350,693	91.43%	47.80%
2021	0.008910%	(158,739)	1,347,514	-11.78%	115.57%

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

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

Notes to Schedule:

Change in assumptions:

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

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

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

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.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Five Years (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.015495%	\$ 735,529	\$ 382,000	192.55%	15.96%
2018	0.016102%	912,308	369,968	246.59%	14.13%
2019	0.017359%	158,079	419,784	37.66%	46.57%
2020	0.021964%	216,953	567,032	38.26%	47.08%
2021	0.022826%	241,845	636,295	38.01%	45.42%

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

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

Notes to Schedule:

Change in assumptions:

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

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

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

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

Change in benefits. Beginning January 1, 2019, OP&F changed its retire health care model from the previous self-insured health care plan offered to a stipend-based health care model. The stipend funded by OP&F are placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

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

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
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%

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of City OPEB Contributions
Ohio Police and Fire Pension Fund
Last Seven Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
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%

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 174,800	185,800	204,000	18,200
Municipal Income Taxes	1,505,400	2,500,000	2,714,804	214,804
Intergovernmental Revenue	164,000	175,880	210,512	34,632
Charges for Services	70,000	85,260	102,043	16,783
Fines, Licenses and Permits	38,250	59,645	71,386	11,741
Investment Income	5,000	960	1,149	189
Other Revenue	90,000	149,825	179,331	29,506
Total Revenues	<u>2,047,450</u>	<u>3,157,370</u>	<u>3,483,225</u>	<u>325,855</u>
Expenditures:				
Current:				
General Government	1,417,727	1,926,180	1,520,548	405,632
Capital Outlay	1,171,723	1,698,188	1,511,202	186,986
Total Expenditures	<u>2,589,450</u>	<u>3,624,368</u>	<u>3,031,750</u>	<u>592,618</u>
Excess of Revenues Over (Under) Expenditures	<u>(542,000)</u>	<u>(466,998)</u>	<u>451,475</u>	<u>918,473</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	-	-	10,425	10,425
Transfers Out	(120,000)	(195,000)	(195,000)	-
Total Other Financing Sources (Uses)	<u>(120,000)</u>	<u>(195,000)</u>	<u>(184,575)</u>	<u>10,425</u>
Net Change in Fund Balance	(662,000)	(661,998)	266,900	928,898
Fund Balance, Beginning of Year	1,233,247	1,233,247	1,233,247	-
Fund Balance, End of Year	<u>\$ 571,247</u>	<u>571,249</u>	<u>1,500,147</u>	<u>928,898</u>

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 1,038,000	1,038,000	1,060,391	22,391
Intergovernmental Revenue	139,000	139,000	136,226	(2,774)
Investment Income	1,000	1,000	110	(890)
Other Revenue	-	20,043	49,088	29,045
Total Revenues	<u>1,178,000</u>	<u>1,198,043</u>	<u>1,245,815</u>	<u>47,772</u>
Expenditures:				
Current:				
Security of Persons and Property	1,186,920	1,424,749	1,398,046	26,703
Capital Outlay	104,780	36,964	31,964	5,000
Total Expenditures	<u>1,291,700</u>	<u>1,461,713</u>	<u>1,430,010</u>	<u>31,703</u>
Excess of Revenues Over (Under) Expenditures	<u>(113,700)</u>	<u>(263,670)</u>	<u>(184,195)</u>	<u>79,475</u>
Other Financing Sources (Uses):				
Transfers In	-	150,000	75,000	(75,000)
Transfers Out	(21,300)	(21,330)	(21,300)	30
Total Other Financing Sources (Uses)	<u>(21,300)</u>	<u>128,670</u>	<u>53,700</u>	<u>(74,970)</u>
Net Change in Fund Balance	(135,000)	(135,000)	(130,495)	4,505
Fund Balance, Beginning of Year	<u>165,135</u>	<u>165,135</u>	<u>165,135</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 30,135</u>	<u>30,135</u>	<u>34,640</u>	<u>4,505</u>

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire/EMS Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 678,000	678,000	693,240	15,240
Intergovernmental Revenue	80,000	80,000	76,081	(3,919)
Charges for Services	170,000	170,000	246,893	76,893
Investment Income	500	500	272	(228)
Other Revenue	-	-	7,532	7,532
Total Revenues	<u>928,500</u>	<u>928,500</u>	<u>1,024,018</u>	<u>95,518</u>
Expenditures:				
Current:				
Security of Persons and Property	764,692	842,167	840,942	1,225
Capital Outlay	173,108	15,662	15,023	639
Total Expenditures	<u>937,800</u>	<u>857,829</u>	<u>855,965</u>	<u>1,864</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,300)</u>	<u>70,671</u>	<u>168,053</u>	<u>97,382</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(154,700)</u>	<u>(152,512)</u>	<u>(104,700)</u>	<u>47,812</u>
Total Other Financing Sources (Uses)	<u>(154,700)</u>	<u>(152,512)</u>	<u>(104,700)</u>	<u>47,812</u>
Net Change in Fund Balance	(164,000)	(81,841)	63,353	145,194
Fund Balance, Beginning of Year	<u>220,688</u>	<u>220,688</u>	<u>220,688</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 56,688</u>	<u>138,847</u>	<u>284,041</u>	<u>145,194</u>

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
TIF Fund
For the Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
TIF Service Payments	\$ 1,879,776	1,879,776	1,870,296	(9,480)
Investment Income	-	-	23	23
Other Revenue	-	250,000	276,000	26,000
Total Revenues	<u>1,879,776</u>	<u>2,129,776</u>	<u>2,146,319</u>	<u>16,543</u>
Expenditures:				
Current:				
Economic Development	1,879,776	4,402,257	4,402,256	1
Total Expenditures	<u>1,879,776</u>	<u>4,402,257</u>	<u>4,402,256</u>	<u>1</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(2,272,481)</u>	<u>(2,255,937)</u>	<u>16,544</u>
Other Financing Sources:				
Loan Issuance	-	2,271,118	2,254,597	(16,521)
Total Other Financing Sources	<u>-</u>	<u>2,271,118</u>	<u>2,254,597</u>	<u>(16,521)</u>
Net Change in Fund Balance	-	(1,363)	(1,340)	23
Fund Balance, Beginning of Year	1,363	1,363	1,363	-
Fund Balance, End of Year	<u>\$ 1,363</u>	<u>-</u>	<u>23</u>	<u>23</u>

See accompanying notes to the required supplementary information.

CITY OF UNION, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

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

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

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

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

Budget to GAAP Reconciliation

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).

CITY OF UNION, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

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	\$ 441,247	\$ (136,843)	\$ 59,457	\$ (533,945)
Revenue Accruals	(70,659)	1,356	(851)	(692,271)
Expenditure Accruals	(15,460)	4,992	4,747	2,382,853
Encumbrances	(52,685)	-	-	-
Debt Issuances	-	-	-	(1,157,977)
Budgeting Differences	(35,543)	-	-	-
Budget Basis	\$ 266,900	\$ (130,495)	\$ 63,353	\$ (1,340)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2022.

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
June 27, 2022

OHIO AUDITOR OF STATE KEITH FABER



CITY OF UNION

MONTGOMERY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/11/2022

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

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