

**City of Union
Montgomery County, Ohio**

Basic Financial Statements

For Year Ended December 31, 2017

with Independent Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Union, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2017 through December 31, 2017. 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 "Dave Yost".

Dave Yost
Auditor of State

October 16, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 - 11), schedules of net pension liabilities and pension contributions (pages 53 – 54) and budgetary comparison schedules (pages 55 – 58) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 26, 2018

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(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, 2017. 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 2017 are as follows:

- Governmental activities reported a change in net position of \$461,825; a 6.7% increase.
- Business-type activities reported a negative change in net position of \$221,827; a 2.2% decrease.
- The General Fund reported a fund balance of \$963,835 which was an increase of \$307,157 from the fund balance reported at the end of the prior year.
- The City continues to work through the Montgomery County Transportation Improvement District (MCTID) to finalize the infrastructure improvements to the Global Logistics Air Park necessary to facilitate development within the Park. The MCTID has been responsible for the administration of the project costs, including financing, until the infrastructure is titled over to the City. The total outstanding project cost is reported as an intergovernmental payable by the City and at December 31, 2017 this liability totaled \$10.9 million.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially in 2017?"

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.

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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.

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

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

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, 2017 as compared to December 31, 2016.

TABLE 1
Statement of Net Position, December 31

	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 7,005,702	4,866,577	11,872,279	6,274,414	1,549,192	7,823,606
Capital Assets	<u>6,465,438</u>	<u>12,355,556</u>	<u>18,820,994</u>	<u>6,541,825</u>	<u>12,624,167</u>	<u>19,165,992</u>
Total Assets	<u>13,471,140</u>	<u>17,222,133</u>	<u>30,693,273</u>	<u>12,816,239</u>	<u>14,173,359</u>	<u>26,989,598</u>
Deferred Outflow of Resources:	<u>11,648,892</u>	<u>279,664</u>	<u>11,928,556</u>	<u>11,391,247</u>	<u>213,371</u>	<u>11,604,618</u>
Liabilities:						
Current and Other Liabilities	10,942,839	19,847	10,962,686	10,960,110	322,228	11,282,338
Long-term Liabilities	<u>3,491,749</u>	<u>7,468,896</u>	<u>10,960,645</u>	<u>3,033,907</u>	<u>3,828,363</u>	<u>6,862,270</u>
Total Liabilities	<u>14,434,588</u>	<u>7,488,743</u>	<u>21,923,331</u>	<u>13,994,017</u>	<u>4,150,591</u>	<u>18,144,608</u>
Deferred Inflow of Resources:	<u>3,320,926</u>	<u>11,293</u>	<u>3,332,219</u>	<u>3,310,776</u>	<u>12,551</u>	<u>3,323,327</u>
Net Position:						
Net Investment in Capital Assets	5,545,810	8,917,061	14,462,871	5,509,079	9,130,285	14,639,364
Restricted	2,280,917	-	2,280,917	1,774,475	-	1,774,475
Unrestricted	<u>(462,209)</u>	<u>1,084,700</u>	<u>622,491</u>	<u>(380,861)</u>	<u>1,093,303</u>	<u>712,442</u>
Total Net Position	<u>\$ 7,364,518</u>	<u>10,001,761</u>	<u>17,366,279</u>	<u>6,902,693</u>	<u>10,223,588</u>	<u>17,126,281</u>

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In a prior year, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, the focus was on funding prior to GASB 68. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension 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.

Under the requirement included within GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension 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. 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 this liability. 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 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 system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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As required by GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows or deferred outflows.

The amount by which the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of December 31, 2017 the City's overall net position was \$17.4 million. Of this amount, \$14.5 million was invested in capital assets, net of related debt. The decrease in net investment in capital assets reported for 2017 compared to 2016 is attributable to the current year depreciation expense exceeding additions of capital assets.

The increase in current assets and deferred inflows of resources reported for 2017 compared with 2016 is primarily attributable to an increase in the cash balances at the end of the current year, due to unspent bond proceeds as well as cash being held by MCTID in conjunction with the Air Park project. The City continues to benefit from development within the City which has significantly increased income tax revenues over the past few years. Overall, current liabilities and deferred outflows of resources decreased during 2017, however a significant portion of both of these accounts relate to the Air Park project which is currently being accounted for by the MCTID; 2017 was the second year that payments were made by the City against these obligations. The long-term obligations of the City increased by \$4,098,375 as the increase in the net pension liability coupled with the new debt obligations of the City resulted in the long-term liabilities increasing during 2017.

The following table shows the changes in net position for the year ended December 31, 2016 as compared to fiscal year ended December 31, 2017.

TABLE 2
Change in Net Position

	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,244,410	1,307,760	1,629,953	1,556,428	2,874,363	2,864,188
Operating Grants and Contributions	800,974	569,688	-	-	800,974	569,688
Capital Grants and Contributions	-	-	26,613	86,482	26,613	86,482
General Revenues:						
Income Taxes	1,185,795	1,119,511	-	-	1,185,795	1,119,511
Property Taxes	1,560,296	1,543,226	-	-	1,560,296	1,543,226
TIF Service Payments	1,782,700	1,786,114	-	-	1,782,700	1,786,114
Grants and Contributions not Restricted	109,342	115,796	-	-	109,342	115,796
Investment Income	18,819	9,191	18,283	5,983	37,102	15,174
Other Revenue	116,746	59,992	20,034	-	136,780	59,992
Transfers	128,228	-	(128,228)	-	-	-
Gain on Sale of Assets	-	45,000	-	45,000	-	90,000
Total Revenue	6,947,310	6,556,278	1,566,655	1,693,893	8,513,965	8,250,171

(Continued)

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TABLE 2 - Continued
Change in Net position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
EXPENSES:						
General Government	2,707,984	2,993,428	-	-	2,707,984	2,993,428
Security of Persons and Property	2,123,923	1,941,793	-	-	2,123,923	1,941,793
Public Health Services	22,695	14,867	-	-	22,695	14,867
Transportation	922,224	708,838	-	-	922,224	708,838
Community Environment	557,341	526,547	-	-	557,341	526,547
Leisure Time Activities	93,506	76,588	-	-	93,506	76,588
Water	-	-	658,395	527,068	658,395	527,068
Sewer	-	-	926,626	774,996	926,626	774,996
Stormwater	-	-	203,461	148,193	203,461	148,193
Interest Expense & Issuance Costs	57,812	101,090	-	-	57,812	101,090
Total Expenses	<u>6,485,485</u>	<u>6,363,151</u>	<u>1,788,482</u>	<u>1,450,257</u>	<u>8,273,967</u>	<u>7,813,408</u>
Change in Net Position	461,825	193,127	(221,827)	243,636	239,998	436,763
Net Position, Beginning of Year	<u>6,902,693</u>	<u>6,709,566</u>	<u>10,223,588</u>	<u>9,979,952</u>	<u>17,126,281</u>	<u>16,689,518</u>
Net Position, End of Year	<u>\$ 7,364,518</u>	<u>6,902,693</u>	<u>10,001,761</u>	<u>10,223,588</u>	<u>17,366,279</u>	<u>17,126,281</u>

Governmental Activities

Total expenses of governmental activities increased slightly (1.9%) over those reported in 2016. The largest increase, \$0.2 million, was seen in the transportation function and was attributable primarily to the additional roadway paving projects completed in 2017 as compared with prior years. An additional factor resulting in the higher expenses for 2017 was an increase in the pension expense reported for the various functional areas as reported by the State-wide pension system. As previously mentioned, the City's pension expense is now based on several factors including the future pension benefits that have already been earned based on service and the performance of the investment portfolios held by the retirement system(s). The change in assumptions within the pension system(s) resulted in 2017 pension expense being in excess of the contractually required contribution for the participating employers. The volatility experienced by the retirement system will have a corresponding volatility to the reported expenses of the participating employers as well.

The City's second largest function expense is for Security of Persons and Property. During 2017 expenses in this function increased 9.4% from those of the prior year due to higher personnel costs, including additional positions. This function has a voted property tax levy which generates funds to help cover the net expenses of approximately \$1.4 million. In comparison, the General Government function reported program revenue totaling just \$331,470, resulting in a net expense of \$2.4 million. However, as mentioned above the activity of the TIF district is accounted for within this functional area and revenue generated by this activity was \$1.8 million for the year and reported within the general revenues section of the statement of activities.

Business-Type Activities

Overall, the City's business-type activities generated \$1.6 million in operating revenues which resulted in negative change in net position for the year despite a small increase in operating costs. Personnel costs will fluctuate from year to year depending on the needed general maintenance necessary to run the utilities operations as well as fluctuations in the recorded pension expense.

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(Unaudited)

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

	2017		2016	
	<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	\$ 2,707,984	(2,376,514)	2,993,428	(2,858,745)
Security of Persons and Property	2,123,923	(1,396,446)	1,941,793	(1,124,878)
Public Health Services	22,695	(13,797)	14,867	(5,296)
Transportation	922,224	(506,037)	708,838	(341,516)
Community Environment	557,341	(1,290)	526,547	21,379
Leisure Time Activities	93,506	(88,205)	76,588	(75,557)
Interest Expense & Issuance Costs	57,812	(57,812)	101,090	(101,090)
Total Expenses	<u>\$ 6,485,485</u>	<u>(4,440,101)</u>	<u>6,363,151</u>	<u>(4,485,703)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 658,395	6,737	527,068	177,332
Sewer	926,626	(70,733)	774,996	29,498
Stormwater	203,461	(67,920)	148,193	(14,177)
Total Expenses	<u>\$ 1,788,482</u>	<u>(131,916)</u>	<u>1,450,257</u>	<u>192,653</u>

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, 2017, the City's governmental funds reported revenues and other financing sources of \$8.4 million and expenditures and other financing uses of \$7.5 million, with combined fund balances of \$2.6 million. Of the \$2.6 million fund balance, \$1.6 is restricted or committed for specific purposes and cannot be used for general operations.

The General Fund is the chief operating fund of the City. At December 31, 2017, the unassigned fund balance of the General Fund was reported at \$363,968, an increase from the \$177,591 reported at the end of the prior year. The increase in unassigned fund balance resulted primarily from the increase in income tax revenue recorded during 2017. Expenditures of the General Fund increased by 2.2 percent over those reported in the prior year due to increased personnel costs, including pension expense.

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

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Enterprise Funds

The City's enterprise funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$674,386, \$370,037 and \$40,277 for the water, sewer and stormwater funds, respectively. The changes in net position for the water, sewer and stormwater funds were increases (decreases) of \$33,974, (\$188,414) and (\$67,387), respectively. Total operating expenses for all proprietary funds were \$1.7 million which were slightly more than the operating revenues reported. Ending unrestricted net position as of December 31, 2017 was 102.9%, 46.0%, and 20.6% of the operating expenses reported for the water, sewer and stormwater operations, respectively. During 2017, the City's utilities saw revenue growth through an increase in demand due to increased housing starts as well as industrial development.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$1.9 million which was \$264,179 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to the additional income taxes received by the City during the year due to economic improvements. The City continues to estimate revenues conservatively due to the current economic conditions in the state of Ohio.

Total actual expenditures (including transfers) on the budget basis were \$1.6 million which were only \$244,595 less than original expenditure budget estimates. Actual budgeted expenditures were \$444,595 below the final budget estimates for expenditures.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2017, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$6.5 million and \$12.4 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2017 balances compared to December 31, 2016 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

	2017			2016		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,430,709	-	1,430,709	1,411,489	-	1,411,489
Construction in Progress	67,476	164,676	232,152	45,576	9,955	55,531
Infrastructure	2,195,542	17,190,981	19,386,523	2,177,586	17,160,500	19,338,086
Buildings	2,422,094	3,221,382	5,643,476	2,387,527	3,221,382	5,608,909
Improvements	229,204	31,921	261,125	229,204	31,921	261,125
Equipment	3,524,314	2,004,458	5,528,772	3,318,597	1,938,522	5,257,119
Vehicles	2,031,401	197,982	2,229,383	2,013,943	197,982	2,211,925
Less: Accumulated						
Depreciation	(5,435,302)	(10,455,844)	(15,891,146)	(5,042,097)	(9,936,095)	(14,978,192)
Totals	\$ <u>6,465,438</u>	<u>12,355,556</u>	<u>18,820,994</u>	<u>6,541,825</u>	<u>12,624,167</u>	<u>19,165,992</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2017
(Unaudited)

Overall, the net capital assets decreased by \$344,998 (1.8%), from those reported one year prior as current year depreciation expense exceeded capital asset additions for the year. The significant capital assets additions reported for the year include; construction in progress related to wellfield pond project as well as West Martindale water main project phase 2 engineering costs, the acquisition of two new vehicles for the utilities, HAVC improvements to City Hall, stormwater infrastructure projects on State Route 48 and River Road, as well as various equipment purchases throughout the City's departments.

DEBT ADMINISTRATION

At December 31, 2017 the City reported total debt obligations of \$7.4 million consisting of general obligation bonds, OPWC loans payable and capital leases. Governmental activities are responsible for \$0.9 million of the debt obligations including \$114,587 due within the next year. Business-type activities are responsible for the remaining \$6.5 million in debt obligations, \$243,214 of which are due within one year.

During 2017, the City issued \$4.8 million of various purpose bonds to retire existing bond anticipation notes, provide financing for wastewater treatment plant improvements, and provide for a current refunding of \$730,000 of 2007 general obligation bonds at the call date. Total principal payments related to general obligation bond (including refunding) were \$800,000 during 2017. Bond anticipate notes totaling \$1.8 million, which consisted of 2016 notes maturing as well as 2017 notes issued and maturing, were retired during the year. The City also paid \$121,572 on nine OPWC loans during the year, all of which are interest free loans.

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,906,873	4,745,558	6,652,431
Receivables:			
Taxes	1,841,142	-	1,841,142
Accounts	173,734	116,535	290,269
Special Assessments	397,320	-	397,320
TIF	1,789,953	-	1,789,953
Intergovernmental	334,789	-	334,789
Prepaid Items	10,231	1,524	11,755
Materials and Supplies Inventory	57,703	2,960	60,663
Restricted Cash with Fiscal Agent	493,957	-	493,957
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,430,709	-	1,430,709
Construction in Progress	67,476	164,676	232,152
Capital assets, net of accumulated depreciation	<u>4,967,253</u>	<u>12,190,880</u>	<u>17,158,133</u>
Total Assets	<u>13,471,140</u>	<u>17,222,133</u>	<u>30,693,273</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Amount Payable on TID Project	10,865,128	-	10,865,128
Pension	<u>783,764</u>	<u>279,664</u>	<u>1,063,428</u>
Total Deferred Outflow of Resources	<u>11,648,892</u>	<u>279,664</u>	<u>11,928,556</u>
LIABILITIES:			
Accounts Payable	36,622	695	37,317
Accrued Wages and Benefits	33,154	7,644	40,798
Due to Other Governments	10,871,216	1,071	10,872,287
Accrued Interest Payable	1,847	10,437	12,284
Noncurrent Liabilities:			
Due Within One Year	137,037	287,388	424,425
Due In More Than One Year:			
Net Pension Liability	2,431,803	659,366	3,091,169
Other	<u>922,909</u>	<u>6,522,142</u>	<u>7,445,051</u>
Total Liabilities	<u>14,434,588</u>	<u>7,488,743</u>	<u>21,923,331</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes	1,493,366	-	1,493,366
TIF	1,789,953	-	1,789,953
Pension	<u>37,607</u>	<u>11,293</u>	<u>48,900</u>
Total Deferred Inflow of Resources	<u>3,320,926</u>	<u>11,293</u>	<u>3,332,219</u>
NET POSITION:			
Net Investment in Capital Assets	5,545,810	8,917,061	14,462,871
Restricted for:			
Public Safety Services	345,742	-	345,742
Transportation	577,394	-	577,394
Street Lights	582,730	-	582,730
Refuse	119,559	-	119,559
Economic Development	493,957	-	493,957
Debt Service	138,745	-	138,745
Other Purposes	22,790	-	22,790
Unrestricted	<u>(462,209)</u>	<u>1,084,700</u>	<u>622,491</u>
Total Net Position	<u>\$ 7,364,518</u>	<u>10,001,761</u>	<u>17,366,279</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2017

	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	\$ 2,123,923	515,622	211,855	-	(1,396,446)	-	(1,396,446)
Public Health Services	22,695	8,898	-	-	(13,797)	-	(13,797)
Leisure Time Activities	93,506	5,301	-	-	(88,205)	-	(88,205)
Community Environment	557,341	556,051	-	-	(1,290)	-	(1,290)
Transportation	922,224	-	416,187	-	(506,037)	-	(506,037)
General Government	2,707,984	158,538	172,932	-	(2,376,514)	-	(2,376,514)
Interest and Issuance Costs	57,812	-	-	-	(57,812)	-	(57,812)
Total Governmental Activities	6,485,485	1,244,410	800,974	-	(4,440,101)	-	(4,440,101)
Business-Type Activities:							
Water	658,395	638,519	-	26,613	-	6,737	6,737
Sewer	926,626	855,893	-	-	(70,733)	-	(70,733)
Stormwater	203,461	135,541	-	-	(67,920)	-	(67,920)
Total Business-Type Activities	1,788,482	1,629,953	-	26,613	(131,916)	-	(131,916)
Total	\$ 8,273,967	2,874,363	800,974	26,613	(4,440,101)	(131,916)	(4,572,017)
General Revenues and Transfers:							
Taxes:							
Income Taxes for General Operations					1,185,795	-	1,185,795
Property Taxes, Levied for:							
General Operations					166,180	-	166,180
Security of Persons and Property					1,157,068	-	1,157,068
Transportation					237,048	-	237,048
TIF Service Payments					1,782,700	-	1,782,700
Grants and Contributions not Restricted to Specific Programs					109,342	-	109,342
Investment Income					18,819	18,283	37,102
Other Revenue					116,746	20,034	136,780
Transfers					128,228	(128,228)	-
Total General Revenues and Transfers					4,901,926	(89,911)	4,812,015
Change in Net Position					461,825	(221,827)	239,998
Net Position, Beginning of Year					6,902,693	10,223,588	17,126,281
Net Position, End of Year					\$ 7,364,518	10,001,761	17,366,279

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 830,057	86,734	85,651	-
Receivables:				
Taxes	475,485	719,395	387,994	-
Accounts	25,578	-	101,508	-
Special Assessments	24,883	-	-	-
TIF	-	-	-	1,789,953
Intergovernmental	50,817	65,069	33,710	-
Prepaid Items	4,792	2,354	2,577	-
Materials and Supplies Inventory	23,532	-	347	-
Restricted Cash with Fiscal Agent	-	-	-	493,957
	<u>1,435,144</u>	<u>873,552</u>	<u>611,787</u>	<u>2,283,910</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Amount Payable on TID Project	-	-	-	10,865,128
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,865,128</u>
Total Assets and Deferred Outflow of Resources	\$ <u>1,435,144</u>	<u>873,552</u>	<u>611,787</u>	<u>13,149,038</u>
LIABILITIES:				
Accounts Payable	\$ -	-	-	-
Accrued Wages and Benefits	4,268	10,572	8,637	-
Due to Other Governments	598	2,062	2,073	10,865,128
	<u>4,866</u>	<u>12,634</u>	<u>10,710</u>	<u>10,865,128</u>
Total Liabilities	<u>4,866</u>	<u>12,634</u>	<u>10,710</u>	<u>10,865,128</u>
DEFERRED INFLOWS OF RESOURCES:				
Property Taxes	158,037	703,350	379,462	-
TIF	-	-	-	1,789,953
Unavailable Revenue	308,406	79,708	143,750	-
	<u>466,443</u>	<u>783,058</u>	<u>523,212</u>	<u>1,789,953</u>
Total Deferred Inflow of Resources	<u>466,443</u>	<u>783,058</u>	<u>523,212</u>	<u>1,789,953</u>
FUND BALANCES:				
Nonspendable:				
Prepaid Items	4,792	2,354	2,577	-
Material and Supplies Inventory	23,532	-	347	-
Restricted:				
Security of Person and Property	-	75,506	74,941	-
Street Repair and Maintenance	-	-	-	-
Street Lighting	-	-	-	-
Economic Development	-	-	-	493,957
Debt Service	-	-	-	-
Other	-	-	-	-
Committed:				
Community Environment	-	-	-	-
Assigned:				
Recreation Programs	24,543	-	-	-
Subsequent Appropriations	547,000	-	-	-
Unassigned	363,968	-	-	-
	<u>963,835</u>	<u>77,860</u>	<u>77,865</u>	<u>493,957</u>
Total Fund Balances	<u>963,835</u>	<u>77,860</u>	<u>77,865</u>	<u>493,957</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ <u>1,435,144</u>	<u>873,552</u>	<u>611,787</u>	<u>13,149,038</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, 2017

Nonmajor Governmental Funds	Total Governmental Funds	Total Governmental Fund Balances	\$ 2,574,418
904,431	1,906,873	<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
258,268	1,841,142	Capital assets used in governmental	
46,648	173,734	activities are not financial resources and	
372,437	397,320	therefore not reported in the funds.	6,465,438
-	1,789,953		
185,193	334,789	Other long-term assets are not available to	
508	10,231	pay for current period expenditures and	
33,824	57,703	therefore are unavailable in the funds.	
-	493,957	Income Taxes	209,802
<u>1,801,309</u>	<u>7,005,702</u>	Property Taxes	34,062
		Intergovernmental	303,831
-	<u>10,865,128</u>	Charges for Services	127,086
		Special Assessments	397,320
<u>1,801,309</u>	<u>17,870,830</u>	Long-term liabilities	
		are not due and payable in the current	
36,622	36,622	period and therefore are not reported in the funds:	
9,677	33,154	General Obligation Bonds	(875,000)
<u>1,355</u>	<u>10,871,216</u>	Unamortized Bond Premium	(30,041)
		Capital Lease Obligations	(14,587)
<u>47,654</u>	<u>10,940,992</u>	Accrued Interest Payable	(1,847)
		Compensated Absences	(140,318)
252,517	1,493,366	The net pension liability is not due and payable	
-	1,789,953	in the current period; therefore, the liability and	
<u>540,237</u>	<u>1,072,101</u>	related deferred inflows/outflows are not	
		reported in the governmental funds:	
<u>792,754</u>	<u>4,355,420</u>	Deferred Outflows - Pension	783,764
		Deferred Inflows - Pension	(37,607)
508	10,231	Net Pension Liability	<u>(2,431,803)</u>
33,824	57,703	Net Position of Governmental Activities	\$ <u>7,364,518</u>
78	150,525		
400,961	400,961		
234,565	234,565		
-	493,957		
138,745	138,745		
23,391	23,391		
128,829	128,829		
-	24,543		
-	547,000		
-	363,968		
<u>960,901</u>	<u>2,574,418</u>		
<u>1,801,309</u>	<u>17,870,830</u>		

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, 2017

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund
REVENUES:				
Property Taxes	\$ 167,639	742,586	396,513	-
Income Taxes	1,238,605	-	-	-
TIF Service Payments	-	-	-	1,782,700
Intergovernmental Revenue	282,158	139,427	68,111	-
Charges for Services	34,077	-	164,796	-
Special Assessments	-	-	-	-
Fines, Licenses and Permits	181,123	-	-	-
Investment Income	7,606	1,381	1,003	939
Other Revenue	49,009	20,969	29,459	-
	<u>1,960,217</u>	<u>904,363</u>	<u>659,882</u>	<u>1,783,639</u>
EXPENDITURES:				
Current:				
Security of Persons and Property	-	957,853	684,131	-
Public Health Services	-	-	-	-
Leisure Time Activities	96,098	-	-	-
Community Environment	-	-	-	-
Transportation	-	-	-	-
General Government	1,176,440	-	-	1,236,657
Capital Outlay	141,022	35,975	36,434	53,025
Debt Service:				
Principal	-	197,500	914,750	-
Interest	-	9,831	31,300	-
Bond Issuance Cost	-	-	-	-
	<u>1,413,560</u>	<u>1,201,159</u>	<u>1,666,615</u>	<u>1,289,682</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>546,657</u>	<u>(296,796)</u>	<u>(1,006,733)</u>	<u>493,957</u>
OTHER FINANCING SOURCES (USES):				
Issuance of Bonds	-	182,500	832,000	-
Bond Premium	-	-	-	-
Transfers In	-	52,000	179,500	-
Transfers Out	(239,500)	-	-	-
	<u>(239,500)</u>	<u>234,500</u>	<u>1,011,500</u>	<u>-</u>
Net Change in Fund Balances	307,157	(62,296)	4,767	493,957
Fund Balance, Beginning of Year	<u>656,678</u>	<u>140,156</u>	<u>73,098</u>	<u>-</u>
Fund Balance, End of Year	\$ <u>963,835</u>	<u>77,860</u>	<u>77,865</u>	<u>493,957</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, 2017

Nonmajor Governmental Funds	Total Governmental Funds		
266,756	1,573,494	Total Net Change in Fund Balances - Governmental Funds	\$ 841,758
-	1,238,605	Amounts reported for governmental activities in the statement of activities are different because:	
-	1,782,700	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. These amounts comprise the change in capital assets for the year.	
419,285	908,981	Capital Asset Additions	316,818
564,949	763,822	Current Year Depreciation	(393,205)
371,106	371,106	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
-	181,123	Income Taxes	(52,810)
7,890	18,819	Property Taxes	(13,198)
17,309	116,746	Intergovernmental	1,335
		Charges for Services	8,708
1,647,295	6,955,396	Special Assessments	(80,349)
		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.	1,126,659
367,563	2,009,547	Issuance of bonds, including bond premium, is an other financing source in governmental funds, but the issuance increases the long-term liability in the statement of net assets	(1,044,793)
22,510	22,510	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:	
-	96,098	Compensated Absences	257
538,710	538,710	Accrued Interest	3,799
452,556	452,556	Amortization of Bond Premium	252
-	2,413,097	Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	199,500
299,163	565,619	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(452,906)
14,409	1,126,659		
805	41,936	Change in Net Position of Governmental Activities	\$ 461,825
19,927	19,927		
1,715,643	7,286,659		
(68,348)	(331,263)		
-	1,014,500		
30,293	30,293		
136,228	367,728		
-	(239,500)		
166,521	1,173,021		
98,173	841,758		
862,728	1,732,660		
960,901	2,574,418		

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Fund Net Position
Enterprise Funds
December 31, 2017

	Water	Sewer	Stormwater	Total
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 837,702	3,846,481	61,375	4,745,558
Accounts Receivable	55,316	50,048	11,171	116,535
Supplies Inventory	2,960	-	-	2,960
Prepaid Items	508	508	508	1,524
Total Current Assets	<u>896,486</u>	<u>3,897,037</u>	<u>73,054</u>	<u>4,866,577</u>
Non-current Assets:				
Construction in Progress	31,946	122,775	9,955	164,676
Depreciable Capital Assets, net	5,167,784	4,971,593	2,051,503	12,190,880
Total Non-current Assets	<u>5,199,730</u>	<u>5,094,368</u>	<u>2,061,458</u>	<u>12,355,556</u>
Total Assets	<u>6,096,216</u>	<u>8,991,405</u>	<u>2,134,512</u>	<u>17,222,133</u>
Deferred Outflows of Resources:				
Pension	106,587	152,291	20,786	279,664
Total Deferred Outflows of Resources	<u>106,587</u>	<u>152,291</u>	<u>20,786</u>	<u>279,664</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	695	-	-	695
Accrued Wages and Benefits	2,975	4,171	498	7,644
Accrued Interest Payable	-	10,437	-	10,437
Due to Other Governments	417	584	70	1,071
Compensated Absences Payable	21,237	21,839	1,098	44,174
Issue II Loans Payable	78,799	36,124	6,647	121,570
Capital Lease Payable	9,741	12,162	9,741	31,644
General Obligation Bonds Payable	-	90,000	-	90,000
Total Current Liabilities	<u>113,864</u>	<u>175,317</u>	<u>18,054</u>	<u>307,235</u>
Long Term Liabilities:				
Compensated Absences Payable	33,968	37,128	5,765	76,861
Issue II Loans Payable	1,584,501	386,015	171,965	2,142,481
Capital Lease Payable	77,006	77,229	76,403	230,638
General Obligation Bonds Payable	-	4,072,162	-	4,072,162
Net Pension Liability	265,041	349,087	45,238	659,366
Total Long Term Liabilities	<u>1,960,516</u>	<u>4,921,621</u>	<u>299,371</u>	<u>7,181,508</u>
Total Liabilities	<u>2,074,380</u>	<u>5,096,938</u>	<u>317,425</u>	<u>7,488,743</u>
Deferred Inflows of Resources:				
Pension	4,354	6,045	894	11,293
Total Deferred Inflows of Resources	<u>4,354</u>	<u>6,045</u>	<u>894</u>	<u>11,293</u>
Net Position:				
Net Investment in Capital Assets	3,449,683	3,670,676	1,796,702	8,917,061
Unrestricted	674,386	370,037	40,277	1,084,700
Total Net Position	<u>\$ 4,124,069</u>	<u>4,040,713</u>	<u>1,836,979</u>	<u>10,001,761</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, 2017

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 573,734	780,412	134,900	1,489,046
Tap-In Fees	53,800	65,000	-	118,800
Other Operating Revenue	10,985	10,481	641	22,107
Total Operating Revenue	<u>638,519</u>	<u>855,893</u>	<u>135,541</u>	<u>1,629,953</u>
Operating Expenses:				
Personal Services	290,811	332,480	77,412	700,703
Contractual Services	102,329	190,838	18,210	311,377
Supplies and Materials	55,938	52,784	10,970	119,692
Other Expenses	2,292	1,210	164	3,666
Depreciation	204,175	226,544	89,030	519,749
Total Operating Expenses	<u>655,545</u>	<u>803,856</u>	<u>195,786</u>	<u>1,655,187</u>
Operating Income (Loss)	<u>(17,026)</u>	<u>52,037</u>	<u>(60,245)</u>	<u>(25,234)</u>
Non-Operating Revenues (Expenses):				
Interest	7,203	10,547	533	18,283
Grant Revenue	26,613	-	-	26,613
Interest and Fiscal Charges	(2,850)	(32,927)	(7,675)	(43,452)
Bond Issuance Costs	-	(89,843)	-	(89,843)
Property Rental Revenue	20,034	-	-	20,034
Total Non-Operating Revenues (Expenses)	<u>51,000</u>	<u>(112,223)</u>	<u>(7,142)</u>	<u>(68,365)</u>
Income (Loss) Before Operating Transfers	33,974	(60,186)	(67,387)	(93,599)
Transfers-out	-	(128,228)	-	(128,228)
Change in Net Position	33,974	(188,414)	(67,387)	(221,827)
Net Position at Beginning of Year	4,090,095	4,229,127	1,904,366	10,223,588
Net Position at End of Year	<u>\$ 4,124,069</u>	<u>4,040,713</u>	<u>1,836,979</u>	<u>10,001,761</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, 2017

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 641,678	857,189	135,383	1,634,250
Cash Payments to Employees for Services and Benefits	(261,592)	(288,566)	(75,841)	(625,999)
Cash Payments to Suppliers for Goods and Services	(160,795)	(244,853)	(29,852)	(435,500)
Net Cash Provided by Operating Activities	219,291	323,770	29,690	572,751
Cash Flows from Noncapital Financing Activities:				
Property Rental Receipts	20,034	-	-	20,034
Net Cash Provided by Noncapital Financing Activities	20,034	-	-	20,034
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(79,556)	(141,101)	(30,481)	(251,138)
Proceeds from Loans and Notes	-	4,627,000	-	4,627,000
Capital Grant	26,613	-	-	26,613
Principal Paid on Capital Leases	(9,460)	(11,807)	(9,460)	(30,727)
Principal Paid on Bonds	-	-	(5,750)	(5,750)
Principal Paid on Notes	-	(1,491,500)	-	(1,491,500)
Principal Paid on Loans	(78,800)	(36,124)	(6,648)	(121,572)
Interest Paid	(2,850)	(32,580)	(7,675)	(43,105)
Net Cash Provided (Used) in Capital and Related Financing Activities	(144,053)	2,913,888	(60,014)	2,709,821
Cash Flows from Investing Activities:				
Interest	7,203	10,547	533	18,283
Net Cash Provided by Investing Activities	7,203	10,547	533	18,283
Net Increase (Decrease) in Cash and Cash Equivalents	102,475	3,248,205	(29,791)	3,320,889
Cash and Cash Equivalents Beginning of Year	735,227	598,276	91,166	1,424,669
Cash and Cash Equivalents End of Year	\$ 837,702	3,846,481	61,375	4,745,558
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>				
Operating Income (Loss)	\$ (17,026)	52,037	(60,245)	(25,234)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	204,175	226,544	89,030	519,749
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	3,159	1,296	(158)	4,297
(Increase) Decrease in Supplies Inventory	(243)	-	-	(243)
(Increase) Decrease in Prepaid Items	(21)	(21)	(508)	(550)
(Increase) Decrease in Deferred Outflows	(24,779)	(37,097)	(4,417)	(66,293)
Increase (Decrease) in Accounts Payable	28	-	-	28
Increase (Decrease) in Accrued Salaries Payable	(162)	335	(1,621)	(1,448)
Increase (Decrease) in Due to Other Governments	(91)	(58)	(243)	(392)
Increase (Decrease) in Compensated Absences Payable	9,329	8,860	1,114	19,303
Increase (Decrease) in Net Pension Liability	45,379	72,606	6,807	124,792
Increase (Decrease) in Deferred Inflows	(457)	(732)	(69)	(1,258)
Net Cash Provided by Operating Activities	\$ 219,291	323,770	29,690	572,751

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Proprietary Fund Types

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

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

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

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

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

Fiduciary Funds

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

Measurement Focus

Government-wide Financial Statements

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 and current liabilities 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 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, 2017

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 (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral of amounts payable associated with the infrastructure construction project being managed and recorded by the Montgomery County Transportation Improvement District (MCTID) and for pension. Financing for the infrastructure project is provided by a SIB loan from the State of Ohio, through the Montgomery County Port Authority. Once the project is complete, the MCTID will transfer the project to the City in its entirety. The amount recorded as a deferred outflow of resources at December 31, 2017 represents the amount borrowed against the SIB loan for the project as of that date (see Note 17). The deferred outflows of resources related to pension are explained further in Note 9.

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 (revenue) until then. For the City, deferred inflows of resources include property taxes, tax incremental financing (TIF), unavailable revenues, and for pension. Property taxes and TIF represent amounts for which there is an enforceable legal claim as of December 31, 2017, 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 are reported on the government-wide statement of net position and further explained in Note 9.

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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

The City also invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2017. 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, 2017. There are no limitations or restrictions on withdrawals from these investments due to redemption notice periods, liquidity fees, or redemption gates. STAROhio does require notice to be given 24 hours in advance for all deposits or withdrawals exceeding \$25 million. STAROhio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 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 2017 amounted to \$18,819 and \$18,283 in the governmental funds and proprietary funds, respectively.

Supplies Inventory

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

Internal Balances

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances". For the year ended December 31, 2017, the City reported no internal balance transactions.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The City maintains a capitalization threshold of \$2,500. 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. Interest incurred during the construction of capital assets is also capitalized in the enterprise funds.

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

Buildings	45 years
Land Improvements	45 years
Equipment	5 - 15 years
Vehicles	10 years
Infrastructure	45 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accrued Liabilities and Long-Term Obligations

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

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

Pensions

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

Restricted Cash with Fiscal Agent

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

Fund Balance

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Net Position

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

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2017, none of the reported \$2.3 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity

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

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

Use of Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

Change in Accounting Principle

For 2017, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements related to certain pension issues, including presentation of payroll-related measures in RSI, selection of assumptions, and classification of employer-paid member contributions. These changes are incorporated into the City's 2017 financial statements; however, there was no effect on beginning net position or fund balance.

Issued but Not Implemented Accounting Standard

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the City to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The City has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its financial statements; however, that effect is anticipated to be significant.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

At year-end, the carrying amount of the City's deposits was \$990,216 and the bank balance was \$1,216,512. At December 31, 2017, \$82,153 of the City's bank balance was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the City to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. At year end the City had investments in STAROhio of \$5,672,301. STAROhio is rated AAAM by Standard and Poor's and comprises 100% of the City's investments.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 2017 for real and public utility property taxes represents collections of the 2016 taxes.

The 2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2017 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. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in the subsequent year along with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017 was \$18.53 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2017 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 105,035,070
Public Utility Tangible Personal Property Assessed Valuation	<u>1,846,920</u>
Total Assessed Valuation	<u>\$ 106,881,990</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, 2017, 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 2017 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue, while on the modified accrual basis of accounting the revenue has been reported as deferred inflow of resources – unavailable.

NOTE 6 – INCOME TAXES

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 1,411,489	19,220	-	\$ 1,430,709
Construction in Progress	45,576	21,900	-	67,476
Total Non-depreciable capital assets	<u>1,457,065</u>	<u>41,120</u>	<u>-</u>	<u>1,498,185</u>
Depreciable capital assets				
Buildings	2,387,527	34,567	-	2,422,094
Equipment	3,318,597	205,717	-	3,524,314
Infrastructure	2,177,586	17,956	-	2,195,542
Improvements	229,204	-	-	229,204
Vehicles	2,013,943	17,458	-	2,031,401
Total depreciable capital assets	<u>10,126,857</u>	<u>275,698</u>	<u>-</u>	<u>10,402,555</u>
Less: accumulated depreciation				
Buildings	(699,664)	(54,915)	-	(754,579)
Equipment	(2,536,870)	(135,959)	-	(2,672,829)
Infrastructure	(364,417)	(52,917)	-	(417,334)
Improvements	(40,994)	(8,280)	-	(49,274)
Vehicles	(1,400,152)	(141,134)	-	(1,541,286)
Total accumulated depreciation	<u>(5,042,097)</u>	<u>(393,205)</u> *	<u>-</u>	<u>(5,435,302)</u>
Depreciable capital assets, net	<u>5,084,760</u>	<u>(117,507)</u>	<u>-</u>	<u>4,967,253</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 6,541,825</u>	<u>(76,387)</u>	<u>-</u>	<u>\$ 6,465,438</u>

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

General Government	\$ 224,126
Public Safety	7,864
Transportation	<u>161,215</u>
Total Depreciation Expense	<u>\$ 393,205</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Business Type Activities:				
Non-depreciable capital assets				
Construction in Progress	\$ 9,955	154,721	-	\$ 164,676
Depreciable capital assets				
Buildings	3,221,382	-	-	3,221,382
Equipment	1,938,522	65,936	-	2,004,458
Infrastructure	17,160,500	30,481	-	17,190,981
Improvements	31,921	-	-	31,921
Vehicles	197,982	-	-	197,982
Total depreciable capital assets	22,550,307	96,417	-	22,646,724
Less: accumulated depreciation				
Buildings	(2,587,753)	(56,719)	-	(2,644,472)
Equipment	(854,383)	(98,120)	-	(952,503)
Infrastructure	(6,371,133)	(351,970)	-	(6,723,103)
Improvements	(4,682)	(722)	-	(5,404)
Vehicles	(118,144)	(12,218)	-	(130,362)
Total accumulated depreciation	(9,936,095)	(519,749) *	-	(10,455,844)
Depreciable capital assets, net	12,614,212	(423,332)	-	12,190,880
Business Type Activities				
Capital Assets, Net	\$ 12,624,167	(268,611)	-	\$ 12,355,556

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

Water	\$ 204,175
Sewer	226,544
Stormwater	89,030
Total Depreciation Expense	<u>\$ 519,749</u>

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017 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, 2017 were \$116,535.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.

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

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

GASB 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 intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all 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 Ohio Revised Code.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to 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 CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local Employees		
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 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	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 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	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 35 years and 2.5% for service years in excess of 35 years
Public Safety Employees		
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years
Law Enforcement Employees		
Age and Service Requirements: Age 52 with 15 years of service credit Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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 percent 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 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2017 Statutory Maximum Contribution Rates:			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2017 Actual Contribution Rates:			
Employer:			
Pension	13.0%	17.1%	17.1%
Post-employment Health Care Benefits	1.0%	1.0%	1.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2% greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required pension contribution was \$178,216 for 2017; \$3,022 is reported as an intergovernmental payable

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that 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.

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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent 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 three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2017 Statutory Maximum Contribution Rates:	
Employer	19.50%
Employee	12.25%
2017 Actual Contribution Rates:	
Employer:	
Pension	19.00%
Post-employment Health Care Benefits	0.50%
Total Employer	19.50%
Employee:	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$70,294 for 2017; \$4,134 is reported as an intergovernmental payable.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 2,109,710	\$ 981,459	\$ 3,091,169
Proportion of the net pension liability			
Current measurement date	0.009290%	0.015495%	
Prior measurement date	<u>0.009560%</u>	<u>0.014074%</u>	
Change in proportionate share	<u>-0.000270%</u>	<u>0.001421%</u>	
Pension expense	\$ 435,399	\$ 123,757	\$ 559,156

At December 31, 2017, 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>			
Net difference between projected and actual earnings on pension plan investments	\$ 314,183	\$ 95,443	\$ 409,626
Differences between expected and actual experience	2,859	275	3,134
Change in assumptions	334,625	-	334,625
Change in City's proportionate share and difference in employer contributions	-	67,533	67,533
City contributions subsequent to the measurement date	<u>178,216</u>	<u>70,294</u>	<u>248,510</u>
Total	<u>\$ 829,883</u>	<u>\$ 233,545</u>	<u>\$ 1,063,428</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	\$ 12,556	\$ 2,258	\$ 14,814
Change in City's proportionate share and difference in employer contributions	<u>20,385</u>	<u>13,701</u>	<u>34,086</u>
Total	<u>\$ 32,941</u>	<u>\$ 15,959</u>	<u>\$ 48,900</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

\$248,510 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, 2018. 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:			
2018	\$ 253,092	\$ 46,191	\$ 299,283
2019	263,913	46,191	310,104
2020	110,932	37,542	148,474
2021	(9,211)	3,467	(5,744)
2022	-	12,573	12,573
Thereafter	-	1,328	1,328
	\$ 618,726	\$ 147,292	\$ 766,018

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

<u>Assumptions</u>	<u>12/31/16 Valuation</u>	<u>12/31/15 Valuation</u>
Wage inflation	3.25%	3.75%
Future salary increases including inflation	3.25% to 10.75%	4.25% to 10.05%
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 retirees	3.00%, simple	3.00%, simple
Post-January 7, 2013 retirees	3.00% simple through 2018, then 2.15% simple	3.00% simple through 2018, then 2.80% simple
Investment rate of return	7.50%	8.00%
Actuarial cost method	Individual Entry Age	Individual Entry Age
Mortality tables	RP-2014	RP-2000

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	<u>18.00%</u>	<u>4.92%</u>
Total	<u>100.00%</u>	<u>5.66%</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent. 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 benefits 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 presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 3,223,096	\$ 2,109,710	\$ 1,181,950

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, 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, 2016, are presented below:

Valuation Date	1/1/2016 with actuarial liabilities rolled forward to 12/31/2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% to 11.00%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.60% and 3.00% simple

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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 the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged 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 geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash & Cash Equivalents	0.00%	0.00%
Domestic Equity	16.00%	5.21%
Non-US Equity	16.00%	5.40%
Core Fixed Income *	20.00%	2.37%
Global Inflation Protected *	20.00%	2.33%
High Yield	15.00%	4.48%
Real Estate	12.00%	5.65%
Private Markets	8.00%	7.99%
Timber	5.00%	6.87%
Master Limited Partnerships	8.00%	7.36%

Note: Assumptions are geometric.

* - levered 2x

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 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 8.25 percent. 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 earning were calculated using the longer-term assumed investment rate of return 8.25 percent. 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, 2017

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
 Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 1,307,187	\$ 981,459	\$ 705,400

NOTE 10 – POSTEMPLOYMENT BENEFITS

Statement 45 of the Governmental Accounting Standards Board (GASB), “Accounting and Financial Reporting by Employers for Post-employment benefits other than Pension,” establishes standards for disclosure information for postemployment benefits other than pension benefits. Both OPERS and OP&F have post-employment benefits that meet the definition as described in GASB Statement 45.

Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment 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 health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 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 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614)222-5601 or 800-222-7377.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension and Combined Plans was 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMAs for participants in the Member-Directed Plan for 2017 was 4%.

Actual employer contributions for 2017, 2016, and 2015 which were used to fund post-employment benefits were \$13,709, \$25,133, and \$23,797, respectively.

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependent.

OP&F provides access to post-retirement 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 by GASB Statement 45.

The Ohio Revised Code 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 Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of payroll of active pension members, currently 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% and 24% of covered payroll for police and fire employer units, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Service Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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 2017, 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 Sections 115 and 401(h).

The OP&F Board of Trustees also is 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 actual contributions for 2017, 2016 and 2015 that were used to fund postemployment benefits were \$1,954, \$1,967 and \$1,552, respectively.

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 \$124,898 at December 31, 2017.

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, 2017 was \$136,455.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

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 2017 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	10,470,440	1,000
Terrorism	13,146,553	25,000
Inland Marine	10,645,440	1,000
Special Property	1,860,708	1,000
Crime	100,000	0
Cyber	250,000	25,000
EDP	105,103	250

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 2017, the City provided employee medical insurance benefits through Anthem Blue Cross & Blue Shield of Ohio. The City covers the employee's premiums and deductibles by budgeting \$243,000 for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$6,000 after the employee pays the first \$500. If the money set aside is not depleted, the City places the excess into a savings account. In 2017, the City made no contributions to or withdrawals from the savings account and the account has an approximate balance of \$131,231. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 13 - CAPITALIZED LEASES (Continued)

Capital lease payments have been reclassified and are reflected as debt service in the respective funds instead of the functional expenditures reported on a budgetary basis. The Vac-Con purchased in 2016 has been capitalized on the statement of net position as equipment for \$324,900, which is the present value of the total minimum lease payments to be made under the agreement. The bobcat and trailer purchased in 2014 were capitalized on the statement of net position for \$81,172. Principal payments in 2017 for capital leases were \$45,136.

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, 2017.

Year ending December 31,	Capital Lease Obligation
2018	\$ 54,622
2019	36,932
2020	36,932
2021	36,932
2022	36,931
2023-2025	<u>110,796</u>
Total minimum lease payments	313,145
Less: Amount representing interest	<u>(36,276)</u>
Minimum lease payments	<u>\$ 276,869</u>

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017	Amount Due In One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 794,250	\$ 875,000	\$ (794,250)	\$ 875,000	\$ 100,000
Bond Premiums	-	30,293	(252)	30,041	-
Long-term Notes Payable	178,500	139,500	(318,000)	-	-
Capital lease obligation	28,996	-	(14,409)	14,587	14,587
Compensated Absences	140,575	22,235	(22,492)	140,318	22,450
Net Pension Liability:					
OPERS	1,121,347	328,997	-	1,450,344	-
OP&F	905,390	76,069	-	981,459	-
Total governmental activities	<u>\$ 3,169,058</u>	<u>\$ 1,472,094</u>	<u>\$ (1,149,403)</u>	<u>\$ 3,491,749</u>	<u>\$ 137,037</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017	Amount Due In One Year
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 5,750	\$ 3,945,000	\$ (5,750)	\$ 3,945,000	\$ 90,000
Bond Premiums	-	218,071	(909)	217,162	-
OPWC Loans	2,385,623	-	(121,572)	2,264,051	121,570
Long-term Notes Payable	809,500	682,000	(1,491,500)	-	-
Capital lease obligation	293,009	-	(30,727)	262,282	31,644
Compensated Absences	101,732	35,580	(16,277)	121,035	44,174
Net Pension Liability:					
OPERS	534,574	124,792	-	659,366	-
Total business-type activities	<u>\$ 4,130,188</u>	<u>\$ 5,005,443</u>	<u>\$ (1,666,735)</u>	<u>\$ 7,468,896</u>	<u>\$ 287,388</u>

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 Storm Water 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
2018	\$ 100,000	\$ 22,161	\$ 90,000	\$ 125,247
2019	100,000	20,100	225,000	123,100
2020	105,000	18,100	230,000	118,600
2021	110,000	16,000	235,000	114,000
2022	70,000	13,800	240,000	109,300
2023-2027	390,000	35,850	975,000	453,500
2028-2032	-	-	885,000	310,425
2033-2037	-	-	1,065,000	131,200
Total	<u>\$ 875,000</u>	<u>\$ 126,011</u>	<u>\$ 3,945,000</u>	<u>\$ 1,485,372</u>

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

Project	Year of Loan	Original Loan Amount	Year of Maturity	Debt Service Made From
Rhinehart Rd Sanitary Pump Station	2008	\$ 279,273	2023	Sewer Fund
Phillipsburg-Union Rd. Sanitary Sewer	2008	496,822	2028	Sewer Fund
Sanitary Sewer Lagoon Aeration	2011	144,721	2041	Sewer Fund
Water Tower Construction	2010	1,405,000	2040	Water Fund
Shaw Rd Water Tank Recoating	2011	407,744	2031	Water Fund
Hawker Street Water Main Replacement	2014	87,914	2044	Water Fund
W. Martindale Water Main Replacement	2015	259,444	2046	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, 2017

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Business-Type Activities			
Year	Principal	Year	Principal
2018	\$ 121,570	2023-2027	578,783
2019	121,569	2028-2032	455,802
2020	121,568	2033-2037	349,413
2021	121,570	2038-2042	225,095
2022	121,569	2043-2046	47,112
		Total	\$ 2,264,051

In 2017, the City issued bond anticipation notes (BANs to refinance a BAN issued in the prior year to finance the acquisition of a fire truck , the Old Springfield Rd. sewer extension project, and improvements to the City's waste water treatment plant). The BANs related to the fire truck, sewer extension project, and waste water treatment plant improvements amount to \$178,500, \$354,500, and \$455,000 respectively and matured on December 1, 2017. The BANs were paid off with the proceeds from the 2017 bond issuance.

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

NOTE 15 - INTERFUND TRANSFERS AND BALANCES

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 sewer fund to the bond retirement fund is required by law in that premiums must be placed in the bond retirement fund, however for GAAP financial statements the liability and premium are recorded in the sewer enterprise fund.

The City had the following transfers during 2017:

Transfer from Fund	Transfer to Fund	Amount
General	Police Fund	\$ 52,000
	Fire/EMS Fund	179,500
	Other Governmental	8,000
Sewer	Other Governmental	128,228
		\$ 367,728

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2017 to December 31, 2017 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 – CONSTRUCTION COMMITMENTS

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

As of December 31, 2017 the Montgomery County Port Authority had a balance of \$10.9 in SIB loan and private purpose bonds issued on behalf of the City to pay for construction costs to date, after the City paid \$1.2 million during year against the liability. In accordance with the terms of the SIB loan, the amortization schedule will not be sent and subsequent payment will not be due, until the project is completed and the infrastructure has been deeded over to the City. The private purpose bonds require the City to transfer TIF revenue resulting from the project to the MCTID for payments due on those bonds. As such, the City has reported the \$10.9 million currently owed for this project at the end of 2017 as an intergovernmental payable with an offsetting deferred outflow of resources representing amounts are currently due for payment.

NOTE 18 – SUBSEQUENT EVENT

On May 8, 2018 voters within the City approved an additional 2.5 mills property tax levy to support the operations of the Fire and EMS department. This levy is anticipated to generate an additional \$258,000 annually in property tax receipts for the City's Fire/EMS Fund.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF UNION
MONTGOMERY COUNTY, OHIO**

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

LAST FOUR YEARS (1)

	2016	2015	2014	2013
<u>Ohio Public Employees Retirement System - Traditional Plan:</u>				
City's Proportion of the Net Pension Liability	0.009290%	0.009560%	0.009626%	0.009626%
City's Proportionate Share of the Net Pension Liability	\$ 2,109,710	\$ 1,655,921	\$ 1,161,003	\$ 1,134,780
City's Covered Payroll	\$ 1,256,617	\$ 1,189,842	\$ 1,180,200	\$ 1,023,046
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	167.89%	139.17%	98.37%	110.92%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
<u>Ohio Police and Fire Pension Fund:</u>				
City's Proportion of the Net Pension Liability	0.0154953%	0.0140740%	0.0145403%	0.0145403%
City's Proportionate Share of the Net Pension Liability	\$ 981,459	\$ 905,390	\$ 753,245	\$ 708,158
City's Covered Payroll	\$ 382,000	\$ 301,309	\$ 298,870	\$ 343,314
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	256.93%	300.49%	252.03%	206.27%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

Note: Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.

(1) Amount presented as of the City's measurement date which is the prior fiscal year.

Note to Schedule:

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST FIVE YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Ohio Public Employees Retirement</u>					
<u>System - Traditional Plan:</u>					
Contractually Required Contribution	\$ 178,216	\$ 150,794	\$ 142,781	\$ 141,624	\$ 132,996
Contributions in Relation to the Contractually Required Contributions	<u>(178,216)</u>	<u>(150,794)</u>	<u>(142,781)</u>	<u>(141,624)</u>	<u>(132,996)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,370,892	\$ 1,256,617	\$ 1,189,842	\$ 1,180,200	\$ 1,023,046
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%
<u>Ohio Police and Fire Pension Fund:</u>					
Contractually Required Contribution	\$ 70,294	\$ 74,490	\$ 60,533	\$ 60,850	\$ 58,638
Contributions in Relation to the Contractually Required Contributions	<u>(70,294)</u>	<u>(74,490)</u>	<u>(60,533)</u>	<u>(60,850)</u>	<u>(58,638)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 369,968	\$ 382,000	\$ 301,309	\$ 298,870	\$ 343,314
Contributions as a Percentage of Covered Payroll	19.00%	19.50%	20.09%	20.36%	17.08%

Note: Information prior to 2013 is not available. The City will continue to present information for years available until a full ten-year trend is presented.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 163,600	163,600	168,638	5,038
Municipal Income Taxes	1,000,000	1,200,000	1,215,530	15,530
Intergovernmental Revenue	97,200	97,200	282,614	185,414
Charges for Services	-	-	34,077	34,077
Fines, Licenses and Permits	127,300	127,300	175,522	48,222
Investment Income	600	600	5,892	5,292
Other Revenue	77,266	77,286	47,892	(29,394)
Total Revenues	1,465,966	1,665,986	1,930,165	264,179
Expenditures:				
Current:				
General Government	1,024,371	1,210,371	1,181,934	28,437
Capital Outlay	698,829	330,829	139,671	191,158
Total Expenditures	1,723,200	1,541,200	1,321,605	219,595
Excess of Revenues Over (Under) Expenditures	(257,234)	124,786	608,560	483,774
Other Financing Sources (Uses):				
Transfers Out	(160,500)	(542,500)	(317,500)	225,000
Total Other Financing Sources (Uses)	(160,500)	(542,500)	(317,500)	225,000
Net Change in Fund Balance	(417,734)	(417,714)	291,060	708,774
Fund Balance, Beginning of Year	517,014	517,014	517,014	-
Fund Balance, End of Year	\$ 99,280	99,300	808,074	708,774

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 770,000	770,000	747,466	(22,534)
Intergovernmental Revenue	127,000	127,000	138,021	11,021
Investment Income	200	200	1,381	1,181
Other Revenue	-	11,000	20,969	9,969
Total Revenues	897,200	908,200	907,837	(363)
Expenditures:				
Current:				
Security of Persons and Property	841,624	992,624	955,347	37,277
Capital Outlay	102,126	36,126	35,975	151
Debt Service:				
Principal	13,750	197,500	197,500	-
Interest	9,200	10,450	9,831	619
Total Expenditures	966,700	1,236,700	1,198,653	38,047
Excess of Revenues Over (Under) Expenditures	(69,500)	(328,500)	(290,816)	37,684
Other Financing Sources (Uses):				
Debt Proceeds	-	182,500	182,500	-
Transfers In	-	52,000	52,000	-
Transfers Out	(39,500)	(15,000)	-	15,000
Total Other Financing Sources (Uses)	(39,500)	219,500	234,500	15,000
Net Change in Fund Balance	(109,000)	(109,000)	(56,316)	52,684
Fund Balance, Beginning of Year	109,374	109,374	109,374	-
Fund Balance, End of Year	\$ 374	374	53,058	52,684

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire/EMS Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 401,600	401,600	399,047	(2,553)
Intergovernmental Revenue	66,000	66,000	68,111	2,111
Charges for Services	185,000	185,000	164,796	(20,204)
Investment Income	50	50	571	521
Other Revenue	-	13,100	29,459	16,359
Total Revenues	652,650	665,750	661,984	(3,766)
Expenditures:				
Current:				
Security of Persons and Property	631,362	709,262	684,744	24,518
Capital Outlay	138	36,938	36,434	504
Debt Service:				
Principal	219,350	915,000	914,750	250
Interest	31,300	32,050	31,300	750
Total Expenditures	882,150	1,693,250	1,667,228	26,022
Excess of Revenues Over (Under) Expenditures	(229,500)	(1,027,500)	(1,005,244)	22,256
Other Financing Sources (Uses):				
Debt Proceeds	139,000	832,000	832,000	-
Transfers In	74,500	179,500	179,500	-
Total Other Financing Sources (Uses)	213,500	1,011,500	1,011,500	-
Net Change in Fund Balance	(16,000)	(16,000)	6,256	22,256
Fund Balance, Beginning of Year	22,015	22,015	22,015	-
Fund Balance, End of Year	\$ 6,015	6,015	28,271	22,256

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
TIF Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
TIF Service Payments	\$ 1,786,100	1,782,700	1,782,700	-
Total Revenues	1,786,100	1,782,700	1,782,700	-
Expenditures:				
Current:				
General Government	1,772,800	1,769,492	1,769,492	-
Capital Outlay	13,300	13,208	13,208	-
Total Expenditures	1,786,100	1,782,700	1,782,700	-
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	-	-	-

See accompanying notes to the required supplementary information.

CITY OF UNION, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

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

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

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

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

Budget to GAAP Reconciliation

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

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

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

CITY OF UNION, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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	\$ 307,157	\$ (62,296)	\$ 4,767	\$ 493,957
Revenue Accruals	(23,312)	3,474	2,102	(939)
Expenditure Accruals	(5,494)	2,506	(613)	(493,018)
Budgeting Differences	12,709	-	-	-
Budget Basis	\$ 291,060	\$ (56,316)	\$ 6,256	\$ -

**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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
September 26, 2018

Finding Number 2016-001 – Material Weakness

Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City's 2016 financial statements contained the various errors, which required adjustment or reclassification to the financial statements. Policies and procedures should be established and implemented to verify the accuracy of amounts reported in the financial statements are in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on misstated financial data.

Status: Nothing significant noted for current year.

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Dave Yost • Auditor of State

CITY OF UNION

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2018**