



Dave Yost • Auditor of State

**CITY OF UNION
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Fund Net Position – Enterprise Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds.....	20
Statement of Cash Flows – Enterprise Funds	21
Notes to the Basic Financial Statements	22
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability – Last Two Years	53
Schedule of the City's Contributions – Last Three Years	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Police Fund	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Fire/EMS Fund	57

**CITY OF UNION
MONTGOMERY COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Light Fund.....	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Refuse Fund.....	59
Notes to the Required Supplementary Information.....	60
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	63



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Union
Montgomery County
118 North Main Street
Union, Ohio 45322

To the City Council:

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, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2015, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, Montgomery County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, *Required budgetary comparison schedules* and *schedules of net pension liabilities and pension contributions* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 15, 2017

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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, 2015. 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 2015 are as follows:

- Governmental activities reported a change in net position of \$122,768; a 1.9% increase.
- Business-type activities reported a positive change in net position of \$187,530; a 1.9% increase. All three enterprise funds (water, sewer and storm water) reported a positive change in fund balance for the year primarily due to increase in water and sewer rates during 2015 as well an overall decrease in expenses.
- The General Fund reported a fund balance of \$525,693 which was an increase of \$147,346 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 of this project cost is reported as an intergovernmental payable by the City and at December 31, 2015 this liability totaled \$11.9 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 2015?" 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

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when cash was received or paid.

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

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

- **Governmental Activities** – Most of the City's services are reported here and include police, fire, emergency medical, refuse collection, public maintenance, parks and recreation, judicial, legislative, and executive.
- **Business-Type Activities** – These services include water, sewer, and storm water. 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, TIF, Street Light and Refuse funds. Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides.

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

Proprietary Funds – City utility services for water, sewer, and storm water 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

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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, 2015 as compared to December 31, 2014.

TABLE 1
Statement of Net Position, December 31

	2015			2014 - Restated		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 6,071,923	1,479,172	7,551,095	4,109,492	1,160,537	5,270,029
Capital Assets	6,376,851	12,132,270	18,509,121	6,507,439	11,824,368	18,331,807
Total Assets	12,448,774	13,611,442	26,060,216	10,616,931	12,984,905	23,601,836
Deferred Outflow of Resources:						
	12,096,065	63,370	12,159,435	11,247,973	43,194	11,291,167
Liabilities:						
Current and Other Liabilities	11,941,465	19,169	11,960,634	11,188,930	18,866	11,207,796
Long-term Liabilities	2,827,758	3,669,377	6,497,135	2,912,833	3,216,811	6,129,644
Total Liabilities	14,769,223	3,688,546	18,457,769	14,101,763	3,235,677	17,337,440
Deferred Inflow of Resources:						
	3,222,475	6,314	3,228,789	1,332,768	-	1,332,768
Net Position:						
Net Investment in Capital Assets	5,239,457	8,917,196	14,156,653	5,215,483	9,054,137	14,269,620
Restricted	1,818,159	-	1,818,159	1,884,061	-	1,884,061
Unrestricted	(504,475)	1,062,756	558,281	(669,171)	738,285	69,114
Total Net Position	\$ 6,553,141	9,979,952	16,533,093	6,430,373	9,792,422	16,222,795

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises 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.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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, GASB 27 focused on a funding approach. 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 new standards required by 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.

In accordance with 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/outflows.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$7,767,931 to \$6,430,373 for governmental activities and from \$10,095,328 to \$9,792,422 for business-type activities.

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, 2015 the City's overall net position was \$16.5 million. Of this amount, \$14.0 million was invested in capital assets, net of related debt. The decrease in net capital assets reported for 2015 compared to 2014 is attributable to the current year payments on debt obligations issued to finance capital acquisition and construction exceeding current year increases in capital assets, net of accumulated depreciation.

The increase in current assets and deferred inflows of resources reported for 2015 compared with 2014 is primarily attributable to reporting the \$1.8 million TIF receivable for the first time in 2015. This TIF is related to the development at the Global Logistics Air Park previously mentioned and is not intended to finance 2015 operations. The increase in current liabilities and deferred outflows of resources relate to the increase project costs associated with the Air Park project which is currently being accounted for by the MCTID. The long-term obligations of the City increased by \$367,491 as the increase in debt obligations issued during the year plus the increase in the net pension liability during 2015 were more than the debt service payments made on the City's debt obligations.

The following table shows the changes in net position for the year ended December 31, 2014 as compared to fiscal year ended December 31, 2015.

TABLE 2
Change in Net position

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,212,818	1,317,878	1,546,846	1,389,238	2,759,664	2,707,116
Operating Grants and Contributions	568,329	402,573	-	-	568,329	402,573
Capital Grants and Contributions	-	-	49,981	201,046	49,981	201,046
General Revenues:						
Income Taxes	774,030	580,815	-	-	774,030	580,815
Property Taxes	1,436,286	1,492,145	-	-	1,436,286	1,492,145
Grants and Contributions not Restricted	149,596	315,306	-	-	149,596	315,306
Investment Income	2,458	1,511	2,195	929	4,653	2,440
Other Revenue	161,488	207,461	-	-	161,488	207,461
Transfers	-	(30,277)	-	30,277	-	-
Total Revenue	<u>4,305,005</u>	<u>4,287,412</u>	<u>1,599,022</u>	<u>1,621,490</u>	<u>5,904,027</u>	<u>5,908,902</u>

(Continued)

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

TABLE 2 - Continued
Change in Net position

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
EXPENSES:						
General Government	1,177,888	1,036,854	-	-	1,177,888	1,036,854
Security of Persons and Property	1,678,287	1,830,572	-	-	1,678,287	1,830,572
Public Health Services	18,378	13,090	-	-	18,378	13,090
Transportation	679,182	734,226	-	-	679,182	734,226
Community Environment	509,259	503,954	-	-	509,259	503,954
Leisure Time Activities	70,865	70,563	-	-	70,865	70,563
Water	-	-	530,375	590,791	530,375	590,791
Sewer	-	-	713,841	739,199	713,841	739,199
Stormwater	-	-	167,276	163,682	167,276	163,682
Interest Expense	48,378	57,267	-	-	48,378	57,267
Total Expenses	<u>4,182,237</u>	<u>4,246,526</u>	<u>1,411,492</u>	<u>1,493,672</u>	<u>5,593,729</u>	<u>5,740,198</u>
Change in Net Position	122,768	40,886	187,530	127,818	310,298	168,704
Net Position, Beginning of Year	6,430,373	N/A	9,792,422	N/A	16,222,795	N/A
Net Position, End of Year	<u>\$ 6,553,141</u>	<u>6,430,373</u>	<u>9,979,952</u>	<u>9,792,422</u>	<u>16,533,093</u>	<u>16,222,795</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, the 2014 functional expenses still include pension expense of \$202,474 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the pension plans. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows and outflow of resources. The required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense totaling \$199,770. Consequently, in order to compare 2015 total program expenses to those of 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 5,593,729
Pension expense under GASB 68	(199,770)
2015 contractually required contributions	<u>203,314</u>
Adjusted 2015 program expenses	5,597,273
Total 2014 program expenses under GASB 27	<u>5,740,198</u>
Increase in program expenses not related to pension	<u>\$ (142,925)</u>

Governmental Activities

Total expenses of governmental activities decreased slightly by 1.5% over those reported in 2014. The largest decrease was seen in the security of persons and property function attributable to lower operating costs within the police department for 2015 as the City upgraded all the police radios to the new MARC's radio system in the prior year but incurred no such costs in the current year, as well as the drop in fuel costs during 2015. Transportation functional expenses decreased by 7.5% due to reduction in overtime

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

needed to maintain the City's roadways in 2015 compared with 2014. The increase in the general government function expenses (13.6%) in 2015 relate to personnel costs, wage increases and health care coverage cost increases, as well as increased legal and administrative costs associated with opening the new industrial park site. The two functions with the largest expenditures are Security of Persons and Property and General Government. Security of Persons and Property includes the Divisions of Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, the Public Safety Division receives property tax revenues to help cover the net expenses of just under \$1.0 million. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$1.2 million in 2015 compared to \$1.0 million for 2014. The increase in general government costs in 2015 is in part due to the hiring of an additional zoning inspector in 2015 who eventually replaced a retiring employee.

Business-Type Activities

Overall, the City's business-type activities generated \$1.5 million in operating revenues; decreased operating costs reported for 2015 resulted from fewer personnel hours needed to operate and maintain the City's utility programs compared to 2014. Operating costs will fluctuate from year to year depending on the personnel costs as well as general maintenance necessary to run the utilities operations. All three enterprise operations reported an increase in net position for 2015.

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

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,177,888	(995,162)	1,036,854	(797,480)
Security of Persons and Property	1,678,287	(991,567)	1,830,572	(1,254,518)
Public Health Services	18,378	(8,334)	13,090	(7,116)
Transportation	679,182	(321,808)	734,226	(366,515)
Community Environment	509,259	31,914	503,954	23,183
Leisure Time Activities	70,865	(67,755)	70,563	(66,362)
Interest Expense	<u>48,378</u>	<u>(48,378)</u>	<u>57,267</u>	<u>(57,267)</u>
Total Expenses	<u>\$ 4,182,237</u>	<u>(2,401,090)</u>	<u>4,246,526</u>	<u>(2,526,075)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 530,375	69,284	590,791	87,348
Sewer	713,841	99,665	739,199	29,674
Stormwater	<u>167,276</u>	<u>16,386</u>	<u>163,682</u>	<u>(20,410)</u>
Total Expenses	<u>\$ 1,411,492</u>	<u>185,335</u>	<u>1,493,672</u>	<u>96,612</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. As of December 31, 2015 the City's governmental funds reported revenues and other financing sources of \$4.5 million and expenditures and other financing uses of \$4.3 million, with combined fund balances of \$1.7 million. Of the \$1.7 million fund balance, \$1.1 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, 2015, the unassigned fund balance of the General Fund was reported at \$423,833, an increase of \$296,395 from the unassigned fund balance reported for the prior year. The increase in unassigned fund balance for the current year resulted from the increase in income taxes within the general fund in 2015 which permitted revenues to exceed expenditures for the year.

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 \$527,062, \$473,952 and \$61,742 for the water, sewer and storm water funds, respectively. The changes in net position for the water, sewer and storm water funds were increases of \$65,895, \$100,890, and \$20,745, respectively. Total operating expenses for all proprietary funds were \$1.4 million which were \$140,302 less than the operating revenues reported. Ending unrestricted net position as of December 31, 2015 was 99.6%, 67.5%, and 37.3% of the operating expenses reported for the water, sewer and storm water operations, respectively. During 2015 the City did implement rate increase for the water and sewer operations. This rate increase coupled with approximately 32 new homes constructed resulted in higher operating revenues for 2015 for these two enterprise funds.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$1.4 million which was \$216,806 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional income taxes during the year related to the opening of the business located within the Global Logistics Air Park. The City is estimating conservatively due to the current economic conditions in the state of Ohio.

Total actual expenditures (including transfers) on the budget basis were \$1.3 million which were only \$18,235 more than original expenditure budget estimates. Actual budgeted expenditures were \$96,765 below the final budget estimates for expenditures.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2015, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$6.4 million and \$12.1 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2015 balances compared to December 31, 2014 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 7.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

TABLE 4
Capital Assets, December 31

	2015			2014		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,279,452	-	1,279,452	1,279,452	-	1,279,452
Construction in Progress	-	369,028	369,028	-	3,893	3,893
Infrastructure	2,177,586	16,721,189	18,898,775	2,081,368	16,434,399	18,515,767
Buildings	2,387,527	3,221,382	5,608,909	2,387,527	3,221,382	5,608,909
Improvements	229,204	31,921	261,125	227,311	31,921	259,232
Equipment	3,046,815	1,261,038	4,307,853	2,928,077	1,154,415	4,082,492
Vehicles	1,922,177	184,725	2,106,902	1,895,359	174,225	2,069,584
Less: Accumulated						
Depreciation	(4,665,910)	(9,657,013)	(14,322,923)	(4,291,655)	(9,195,867)	(13,487,522)
Totals	\$ <u>6,376,851</u>	<u>12,132,270</u>	<u>18,509,121</u>	<u>6,507,439</u>	<u>11,824,368</u>	<u>18,331,807</u>

Overall, the net capital assets increased by \$177,314 (1.0%), from those reported one year prior as current year capital asset additions exceeded depreciation expense for the year. The significant capital assets additions reported for the year include, the ongoing renovations of the waste water treatment plant, the replacement of the W. Martindale water main, widening and related utility work on State Route 48, and the Old Springfield Rd. sewer lateral and basin project, as well as various vehicle and equipment purchases throughout the City's departments.

DEBT ADMINISTRATION

At December 31, 2015 the City reported total debt obligations of \$4.3 million consisting of general obligation bonds, long-term notes payable, OPWC loans payable and capital leases. Governmental activities are responsible for \$1.1 million of the debt obligations including \$137,774 due within the next year. Business-type activities are responsible for the remaining \$3.2 million in debt obligations, \$247,801 of which are due within one year.

During 2015, principal payments totaled \$154,562 for the governmental activities on general debt obligations; \$50,000 in general obligations bonds, \$38,500 in long-term notes and \$66,062 in capital lease obligations, respectively. Business-type activities reported \$218,742 of principal payment on debt obligations in total; \$30,000 for general obligation bonds, \$110,429 for OPWC loans payable, \$67,500 for long-term notes, and \$10,813 for capital lease obligations. During the year, the City drew down on loans from OPWC (\$163,585) that is interest free to finance various water and storm water projects in the City. In addition, the City issued an additional \$500,000 of long-term notes payable to provide financing for the ongoing improvements at the waste water treatment facility.

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on the total assessed value of real and personal property. As of December 31, 2015 the City's legal debt margin was approximately \$7.9 million.

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,511,683	1,356,564	2,868,247
Receivables:			
Taxes	1,762,467	-	1,762,467
Accounts	129,502	115,722	245,224
Special Assessments	436,702	-	436,702
TIF	1,786,114	-	1,786,114
Intergovernmental	356,770	-	356,770
Prepaid Items	8,403	2,690	11,093
Materials and Supplies Inventory	80,282	4,196	84,478
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,279,452	-	1,279,452
Construction in Progress	-	369,028	369,028
Capital assets, net of accumulated depreciation	<u>5,097,399</u>	<u>11,763,242</u>	<u>16,860,641</u>
Total Assets	<u>12,448,774</u>	<u>13,611,442</u>	<u>26,060,216</u>
DEFERRED OUTFLOW OF RESOURCES:			
Amount Payable on TID Project	11,861,709	-	11,861,709
Pension	<u>234,356</u>	<u>63,370</u>	<u>297,726</u>
Total Deferred Outflow of Resources	<u>12,096,065</u>	<u>63,370</u>	<u>12,159,435</u>
LIABILITIES:			
Accounts Payable	35,739	440	36,179
Accrued Wages and Benefits	20,063	5,437	25,500
Due to Other Governments	11,881,005	5,178	11,886,183
Accrued Interest Payable	4,658	8,114	12,772
Noncurrent Liabilities:			
Due Within One Year	158,624	263,876	422,500
Due In More Than One Year:			
Net Pension Liability	1,560,032	354,216	1,914,248
Other	<u>1,109,102</u>	<u>3,051,285</u>	<u>4,160,387</u>
Total Liabilities	<u>14,769,223</u>	<u>3,688,546</u>	<u>18,457,769</u>
DEFERRED INFLOW OF RESOURCES:			
Property Taxes	1,422,277	-	1,422,277
TIF	1,786,114	-	1,786,114
Pension	<u>14,084</u>	<u>6,314</u>	<u>20,398</u>
Total Deferred Inflow of Resources	<u>3,222,475</u>	<u>6,314</u>	<u>3,228,789</u>
NET POSITION:			
Net Investment in Capital Assets	5,239,457	8,917,196	14,156,653
Restricted for:			
Public Safety Services	435,031	-	435,031
Transportation	496,712	-	496,712
Street Lights	729,287	-	729,287
Refuse	145,304	-	145,304
Other Purposes	11,825	-	11,825
Unrestricted	<u>(504,475)</u>	<u>1,062,756</u>	<u>558,281</u>
Total Net Position	<u>\$ 6,553,141</u>	<u>9,979,952</u>	<u>16,533,093</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2015

	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	\$ 1,678,287	475,765	210,955	-	(991,567)		(991,567)
Public Health Services	18,378	10,044	-	-	(8,334)		(8,334)
Leisure Time Activities	70,865	3,110	-	-	(67,755)		(67,755)
Community Environment	509,259	541,173	-	-	31,914		31,914
Transportation	679,182	-	357,374	-	(321,808)		(321,808)
General Government	1,177,888	182,726	-	-	(995,162)		(995,162)
Interest and Fiscal Charges	48,378	-	-	-	(48,378)		(48,378)
Total Governmental Activities	4,182,237	1,212,818	568,329	-	(2,401,090)		(2,401,090)
Business-Type Activities:							
Water	530,375	599,659	-	-		69,284	69,284
Sewer	713,841	813,506	-	-		99,665	99,665
Stormwater	167,276	133,681	-	49,981		16,386	16,386
Total Business-Type Activities	1,411,492	1,546,846	-	49,981		185,335	185,335
Total	\$ 5,593,729	2,759,664	568,329	49,981	(2,401,090)	185,335	(2,215,755)
General Revenues:							
Taxes:							
Income Taxes for General Operations					774,030	-	774,030
Property Taxes, Levied for:							
General Operations					147,498	-	147,498
Security of Persons and Property					1,067,429	-	1,067,429
Transportation					221,359	-	221,359
Grants and Contributions not Restricted to Specific Programs					149,596	-	149,596
Investment Income					2,458	2,195	4,653
Other Revenue					161,488	-	161,488
Total General Revenues					2,523,858	2,195	2,526,053
Change in Net Position					122,768	187,530	310,298
Net Position, Beginning of Year - Restated					6,430,373	9,792,422	16,222,795
Net Position, End of Year					\$ 6,553,141	9,979,952	16,533,093

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund	Street Light Fund	Refuse Fund
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 435,452	146,289	102,740	-	356,966	131,285
Receivables:						
Taxes	435,035	701,237	374,130	-	-	-
Accounts	17,040	-	66,861	-	-	45,601
Special Assessments	79,643	-	-	-	357,059	-
TIF	-	-	-	1,786,114	-	-
Intergovernmental	48,599	63,491	33,619	-	34,862	-
Prepaid Items	3,786	2,083	1,948	-	-	467
Materials and Supplies Inventory	18,636	-	348	-	-	-
Total Assets	<u>1,038,191</u>	<u>913,100</u>	<u>579,646</u>	<u>1,786,114</u>	<u>748,887</u>	<u>177,353</u>
DEFERRED OUTFLOW OF RESOURCES:						
Amount Payable on TID Project	-	-	-	11,861,709	-	-
Total Assets and Deferred Outflow of Resources	<u>\$ 1,038,191</u>	<u>913,100</u>	<u>579,646</u>	<u>13,647,823</u>	<u>748,887</u>	<u>177,353</u>
LIABILITIES:						
Accounts Payable	\$ -	-	-	-	-	35,739
Accrued Wages and Benefits	3,526	5,421	4,274	-	302	719
Intergovernmental Payable	4,198	5,880	4,798	11,861,709	606	639
Total Liabilities	<u>7,724</u>	<u>11,301</u>	<u>9,072</u>	<u>11,861,709</u>	<u>908</u>	<u>37,097</u>
DEFERRED INFLOW OF RESOURCES:						
Property Taxes	145,140	674,672	359,970	-	-	-
TIF	-	-	-	1,786,114	-	-
Unavailable Revenue	359,634	73,234	105,669	-	363,346	-
Total Deferred Inflow of Resources	<u>504,774</u>	<u>747,906</u>	<u>465,639</u>	<u>1,786,114</u>	<u>363,346</u>	<u>-</u>
FUND BALANCES:						
Nonspendable:						
Prepaid Items	3,786	2,083	1,948	-	-	467
Material and Supplies Inventory	18,636	-	348	-	-	-
Restricted:						
Security of Person and Property	-	151,810	102,639	-	-	-
Street Repair and Maintenance	-	-	-	-	-	-
Street Lighting	-	-	-	-	384,633	-
Other	-	-	-	-	-	-
Committed:						
Community Environment	-	-	-	-	-	139,789
Assigned:						
Recreation Programs	35,352	-	-	-	-	-
Subsequent Appropriations	44,086	-	-	-	-	-
Unassigned	423,833	-	-	-	-	-
Total Fund Balances	<u>525,693</u>	<u>153,893</u>	<u>104,935</u>	<u>-</u>	<u>384,633</u>	<u>140,256</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 1,038,191</u>	<u>913,100</u>	<u>579,646</u>	<u>13,647,823</u>	<u>748,887</u>	<u>177,353</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, 2015

Nonmajor Governmental Funds	Total Governmental Funds		
338,951	1,511,683	Total Governmental Fund Balances	\$ 1,732,832
252,065	1,762,467	<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
-	129,502	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	6,376,851
-	436,702		
-	1,786,114	Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.	
176,199	356,770	Income Taxes	218,667
119	8,403	Property Taxes	20,644
61,298	80,282	Intergovernmental	295,688
828,632	6,071,923	Charges for Services	83,901
-	11,861,709	Special Assessments	436,702
828,632	17,933,632	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
-	35,739	General Obligation Bonds	(849,250)
5,821	20,063	Long-Term Notes Payable	(218,500)
3,175	11,881,005	Capital Lease Obligations	(69,644)
8,996	11,936,807	Accrued Interest Payable	(4,658)
242,495	1,422,277	Compensated Absences	(130,332)
-	1,786,114	The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:	
153,719	1,055,602	Deferred Outflows - Pension	234,356
396,214	4,263,993	Deferred Inflows - Pension	(14,084)
119	8,403	Net Pension Liability	(1,560,032)
61,298	80,282	Net Position of Governmental Activities	\$ <u>6,553,141</u>
22,687	277,136		
312,959	312,959		
-	384,633		
26,359	26,359		
-	139,789		
-	35,352		
-	44,086		
-	423,833		
423,422	1,732,832		
828,632	17,933,632		

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, 2015

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund	Street Light Fund	Refuse Fund
REVENUES:						
Property Taxes	\$ 151,147	696,168	370,866	-	-	-
Income Taxes	760,032	-	-	-	-	-
Intergovernmental Revenue	148,025	132,189	66,647	-	-	-
Charges for Services	13,761	-	187,367	-	-	541,173
Special Assessments	-	-	-	-	368,779	-
Fines, Licenses and Permits	163,678	-	-	-	-	-
Investment Income	653	283	161	-	612	180
Other Revenue	104,291	3,008	3,517	-	40,151	60
Total Revenues	<u>1,341,587</u>	<u>831,648</u>	<u>628,558</u>	<u>-</u>	<u>409,542</u>	<u>541,413</u>
EXPENDITURES:						
Current:						
Security of Persons and Property	-	713,736	517,551	-	353,693	-
Public Health Services	-	-	-	-	-	-
Leisure Time Activities	72,467	-	-	-	-	-
Community Environment	-	-	-	-	-	509,408
Transportation	-	-	-	-	-	-
General Government	959,023	-	-	-	-	-
Capital Outlay	122,751	17,091	1,850	-	16,293	925
Debt Service:						
Principal	-	12,500	102,722	-	18,596	8,345
Interest	-	10,436	36,257	-	1,117	612
Total Expenditures	<u>1,154,241</u>	<u>753,763</u>	<u>658,380</u>	<u>-</u>	<u>389,699</u>	<u>519,290</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>187,346</u>	<u>77,885</u>	<u>(29,822)</u>	<u>-</u>	<u>19,843</u>	<u>22,123</u>
OTHER FINANCING SOURCES (USES):						
Sale of Capital Assets	-	3,301	-	-	-	-
Transfers In	-	-	32,000	-	-	-
Transfers Out	<u>(40,000)</u>	<u>(24,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(21,199)</u>	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	147,346	56,686	2,178	-	19,843	22,123
Fund Balance, Beginning of Year	<u>378,347</u>	<u>97,207</u>	<u>102,757</u>	<u>-</u>	<u>364,790</u>	<u>118,133</u>
Fund Balance, End of Year	\$ <u>525,693</u>	<u>153,893</u>	<u>104,935</u>	<u>-</u>	<u>384,633</u>	<u>140,256</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, 2015

Nonmajor Governmental Funds	Total Governmental Funds		
251,786	1,469,967	Total Net Change in Fund Balances - Governmental Funds	\$ 192,920
-	760,032	Amounts reported for governmental activities in the statement of activities are different because:	
365,885	712,746	Governmental funds report capital outlays as expenditures.	
10,044	752,345	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.	
-	368,779	Capital Asset Additions	264,484
-	163,678	Current Year Depreciation	(390,215)
569	2,458	Net Book Value of Disposals	(4,857)
10,461	161,488	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
638,745	4,391,493	Income Taxes	13,998
		Property Taxes	(33,681)
		Intergovernmental	5,179
		Charges for Services	(65,163)
		Special Assessments	(6,821)
		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.	154,562
		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:	
71,647	1,656,627	Compensated Absences	(6,293)
18,373	18,373	Accrued Interest	857
-	72,467	Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	159,119
-	509,408	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(161,321)
517,694	517,694		
-	959,023		
105,575	264,485		
12,399	154,562	Change in Net Position of Governmental Activities	\$ 122,768
813	49,235		
726,501	4,201,874		
-	3,301		
32,500	64,500		
-	(64,500)		
32,500	3,301		
(55,256)	192,920		
478,678	1,539,912		
423,422	1,732,832		

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Fund Net Position
Enterprise Funds
December 31, 2015

	Water	Sewer	Stormwater	Total
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 649,325	628,841	78,398	1,356,564
Accounts Receivable	54,429	50,325	10,968	115,722
Supplies Inventory	2,721	1,475	-	4,196
Prepaid Items	1,052	1,171	467	2,690
Total Current Assets	<u>707,527</u>	<u>681,812</u>	<u>89,833</u>	<u>1,479,172</u>
Non-current Assets:				
Construction in Progress	14,688	354,340	-	369,028
Depreciable Capital Assets, net	4,926,606	4,785,853	2,050,783	11,763,242
Total Non-current Assets	<u>4,941,294</u>	<u>5,140,193</u>	<u>2,050,783</u>	<u>12,132,270</u>
Total Assets	<u>5,648,821</u>	<u>5,822,005</u>	<u>2,140,616</u>	<u>13,611,442</u>
Deferred Outflows of Resources:				
Pension	24,766	33,269	5,335	63,370
Total Deferred Outflows of Resources	<u>24,766</u>	<u>33,269</u>	<u>5,335</u>	<u>63,370</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	440	-	-	440
Accrued Wages and Benefits	2,425	2,195	817	5,437
Accrued Interest Payable	373	7,584	157	8,114
Due to Other Governments	1,972	2,725	481	5,178
Compensated Absences Payable	7,350	7,850	875	16,075
Bond Anticipation Notes Payable	-	116,000	-	116,000
Issue II Loans Payable	70,150	36,123	6,647	112,920
Capital Lease Payable	2,353	6,903	1,750	11,006
General Obligation Bonds Payable	-	-	7,875	7,875
Total Current Liabilities	<u>85,063</u>	<u>179,380</u>	<u>18,602</u>	<u>283,045</u>
Long Term Liabilities:				
Compensated Absences Payable	38,334	41,079	4,599	84,012
Issue II Loans Payable	1,501,170	458,263	185,260	2,144,693
Capital Lease Payable	-	5,205	-	5,205
Long-Term Notes Payable	-	809,500	-	809,500
General Obligation Bonds Payable	-	-	7,875	7,875
Net Pension Liability	151,870	176,381	25,965	354,216
Total Long Term Liabilities	<u>1,691,374</u>	<u>1,490,428</u>	<u>223,699</u>	<u>3,405,501</u>
Total Liabilities	<u>1,776,437</u>	<u>1,669,808</u>	<u>242,301</u>	<u>3,688,546</u>
Deferred Inflows of Resources:				
Pension	2,467	3,315	532	6,314
Total Deferred Inflows of Resources	<u>2,467</u>	<u>3,315</u>	<u>532</u>	<u>6,314</u>
Net Position:				
Net Investment in Capital Assets	3,367,621	3,708,199	1,841,376	8,917,196
Unrestricted	527,062	473,952	61,742	1,062,756
Total Net Position	<u>\$ 3,894,683</u>	<u>4,182,151</u>	<u>1,903,118</u>	<u>9,979,952</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, 2015

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 560,821	765,435	133,642	1,459,898
Tap-In Fees	32,000	40,800	-	72,800
Other Operating Revenue	2,376	2,809	39	5,224
Total Operating Revenue	<u>595,197</u>	<u>809,044</u>	<u>133,681</u>	<u>1,537,922</u>
Operating Expenses:				
Personal Services	208,399	284,962	48,134	541,495
Contractual Services	92,537	160,837	22,431	275,805
Supplies and Materials	36,289	60,808	14,676	111,773
Other Expenses	3,838	3,146	417	7,401
Depreciation	188,369	192,846	79,931	461,146
Total Operating Expenses	<u>529,432</u>	<u>702,599</u>	<u>165,589</u>	<u>1,397,620</u>
Operating Income (Loss)	<u>65,765</u>	<u>106,445</u>	<u>(31,908)</u>	<u>140,302</u>
Non-Operating Revenues (Expenses):				
Interest	861	1,225	109	2,195
Grant Revenue	-	-	49,981	49,981
Interest and Fiscal Charges	(943)	(11,242)	(1,687)	(13,872)
Property Rental Revenue	4,462	4,462	-	8,924
Total Non-Operating Revenues (Expenses)	<u>4,380</u>	<u>(5,555)</u>	<u>48,403</u>	<u>47,228</u>
Income (Loss) Before Operating Transfers	70,145	100,890	16,495	187,530
Transfer-in	-	-	4,250	4,250
Transfer-out	(4,250)	-	-	(4,250)
Change in Net Position	65,895	100,890	20,745	187,530
Net Position at Beginning of Year - Restated	<u>3,828,788</u>	<u>4,081,261</u>	<u>1,882,373</u>	<u>9,792,422</u>
Net Position at End of Year	<u>\$ 3,894,683</u>	<u>4,182,151</u>	<u>1,903,118</u>	<u>9,979,952</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, 2015

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 580,502	796,215	133,460	1,510,177
Cash Payments to Employees for Services and Benefits	(208,010)	(292,254)	(50,137)	(550,401)
Cash Payments to Suppliers for Goods and Services	(132,401)	(225,271)	(37,544)	(395,216)
Net Cash Provided by Operating Activities	<u>240,091</u>	<u>278,690</u>	<u>45,779</u>	<u>564,560</u>
Cash Flows from Noncapital Financing Activities:				
Property Rental Receipts	4,462	4,462	-	8,924
Net Cash Provided by Noncapital Financing Activities:	<u>4,462</u>	<u>4,462</u>	<u>-</u>	<u>8,924</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(47,198)	(472,904)	(248,946)	(769,048)
Proceeds from Loans and Notes	14,188	925,500	149,397	1,089,085
Capital Grant	-	-	49,981	49,981
Principal Paid on Capital Leases	(2,066)	(6,681)	(2,066)	(10,813)
Principal Paid on Bonds	(20,000)	-	(10,000)	(30,000)
Principal Paid on Notes	-	(493,000)	-	(493,000)
Principal Paid on Loans	(70,150)	(36,123)	(4,156)	(110,429)
Interest expense	(974)	(8,231)	(1,700)	(10,905)
Net Cash Used in Capital and Related Financing Activities	<u>(126,200)</u>	<u>(91,439)</u>	<u>(67,490)</u>	<u>(285,129)</u>
Cash Flows from Investing Activities:				
Interest	861	1,225	109	2,195
Net Cash Provided by Investing Activities	<u>861</u>	<u>1,225</u>	<u>109</u>	<u>2,195</u>
Net Increase (Decrease) in Cash and Cash Equivalents	119,214	192,938	(21,602)	290,550
Cash and Cash Equivalents Beginning of Year	530,111	435,903	100,000	1,066,014
Cash and Cash Equivalents End of Year	<u>\$ 649,325</u>	<u>628,841</u>	<u>78,398</u>	<u>1,356,564</u>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>				
Operating Income (Loss)	\$ 65,765	106,445	(31,908)	140,302
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	188,369	192,846	79,931	461,146
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(14,695)	(12,829)	(221)	(27,745)
(Increase) Decrease in Supplies Inventory	765	130	-	895
(Increase) Decrease in Prepaid Items	(605)	(610)	(20)	(1,235)
(Increase) Decrease in Deferred Outflows	(6,208)	(11,788)	(2,180)	(20,176)
Increase (Decrease) in Accounts Payable	103	-	-	103
Increase (Decrease) in Accrued Salaries Payable	1,083	471	411	1,965
Increase (Decrease) in Due to Other Governments	(2,071)	(2,228)	(433)	(4,732)
Increase (Decrease) in Compensated Absences Payable	1,946	(1,323)	(1,016)	(393)
Increase (Decrease) in Net Pension Liability	3,172	4,261	683	8,116
Increase (Decrease) in Deferred Inflows	2,467	3,315	532	6,314
Net Cash Provided by Operating Activities	<u>\$ 240,091</u>	<u>278,690</u>	<u>45,779</u>	<u>564,560</u>

Capital and Related Financing Activities - Noncash Activity:

In 2015, the Water fund paid \$4,250 of general obligation debt which was initially recorded in the Storm Water fund.

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

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, 2015

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.

Street Light Fund – This fund accounts for all transactions relating to the provisions of street lighting of roadways within the City.

Refuse Fund – This fund accounts for all transactions relating to the provision of solid waste removal from residents and commercial users within the City.

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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflow of resources, liabilities, and deferred inflow 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.

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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2015 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 or resources include property taxes, tax incremental financing (TIF) and unavailable revenues. Property taxes and TIF represent amounts for which there is an enforceable legal claim as of December 31, 2015, 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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

Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents". 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 2015. 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, 2015.

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 2015 amounted to \$2,458 and \$2,195 in the governmental funds and proprietary funds, respectively.

Supplies Inventory

Inventories reported on the government-wide and fund financial statements are presented at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and expensed when used. Reported supplies inventory is included within the nonspendable fund balance classification in the governmental funds category, which indicates that it does not constitute available resources.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015, the City reported no internal balance transactions.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market 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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid 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.

Fund Balance

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015, none of the reported \$1.8 million in restricted net position was restricted by enabling legislation.

Operating Revenues and Expenses

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

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/RESTATEMENT OF NET POSITION

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position of the City’s governmental activities, business-type activities, and proprietary funds as reported December 31, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position at December 31, 2014 as previously reported	\$ 7,767,931	\$ 10,095,328
Adjustments:		
Net Pension Liability at December 31, 2014	(1,496,838)	(346,100)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>159,280</u>	<u>43,194</u>
Net Position at December 31, 2014 as restated	<u>\$ 6,430,373</u>	<u>\$ 9,792,422</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE/RESTATEMENT OF NET POSITION

– Continued

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Stormwater Fund</u>
Net Position at December 31, 2014 as previously reported	\$ 3,958,928	\$ 4,231,900	\$ 1,904,500
Adjustments:			
Net Pension Liability at December 31, 2014	(148,698)	(172,120)	(25,282)
Deferred Outflows - Payments Subsequent to Measurement Date	<u>18,558</u>	<u>21,481</u>	<u>3,155</u>
Net Position at December 31, 2014 as restated	<u>\$ 3,828,788</u>	<u>\$ 4,081,261</u>	<u>\$ 1,882,373</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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 collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the City's deposits was \$2,053,097 and the bank balance was \$2,228,503. At December 31, 2015, all of the City’s bank deposits were covered by federal depository insurance.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - Continued

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 \$815,150. STAROhio is rated AAAM by Standard and Poor's and comprises 100% of the City's investments.

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 2015 for real and public utility property taxes represents collections of the 2014 taxes.

The 2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2015 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. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, 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, 2015 was \$18.53 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2015 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 93,222,220
Public Utility Tangible Personal Property Assessed Valuation	<u>1,519,780</u>
Total Assessed Valuation	<u>\$ 94,742,000</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, 2015, 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 2015 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 1,279,452	-	-	\$ 1,279,452
Construction in Progress	-	-	-	-
Total Non-depreciable capital assets	1,279,452	-	-	1,279,452
Depreciable capital assets				
Buildings	2,387,527	-	-	2,387,527
Equipment	2,928,077	118,738	-	3,046,815
Infrastructure	2,081,368	96,218	-	2,177,586
Improvements	227,311	1,893	-	229,204
Vehicles	1,895,359	47,635	(20,817)	1,922,177
Total depreciable capital assets	9,519,642	264,484	(20,817)	9,763,309
Less: accumulated depreciation				
Buildings	(592,769)	(53,447)	-	(646,216)
Equipment	(2,310,207)	(118,696)	-	(2,428,903)
Infrastructure	(260,798)	(51,002)	-	(311,800)
Improvements	(24,452)	(8,262)	-	(32,714)
Vehicles	(1,103,429)	(158,808)	15,960	(1,246,277)
Total accumulated depreciation	(4,291,655)	(390,215) *	15,960	(4,665,910)
Depreciable capital assets, net	5,227,987	(125,731)	(4,857)	5,097,399
Governmental Activities				
Capital Assets, Net	\$ 6,507,439	(125,731)	(4,857)	\$ 6,376,851

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

General Government	\$ 222,423
Public Safety	7,804
Transportation	159,988
Total Depreciation Expense	<u>\$ 390,215</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Business Type Activities:				
Non-depreciable capital assets				
Construction in Progress	\$ 3,893	564,514	(199,379)	\$ 369,028
Depreciable capital assets				
Buildings	3,221,382	-	-	3,221,382
Equipment	1,154,414	106,624	-	1,261,038
Infrastructure	16,434,400	286,789	-	16,721,189
Improvements	31,921	-	-	31,921
Vehicles	174,225	10,500	-	184,725
Total depreciable capital assets	21,016,342	403,913	-	21,420,255
Less: accumulated depreciation				
Buildings	(2,474,315)	(56,718)	-	(2,531,033)
Equipment	(955,827)	(41,574)	-	(997,401)
Infrastructure	(5,669,072)	(350,073)	-	(6,019,145)
Improvements	(3,241)	(721)	-	(3,962)
Vehicles	(93,412)	(12,060)	-	(105,472)
Total accumulated depreciation	(9,195,867)	(461,146) *	-	(9,657,013)
Depreciable capital assets, net	11,820,475	(57,233)	-	11,763,242
Business Type Activities				
Capital Assets, Net	\$ 11,824,368	507,281	(199,379)	\$ 12,132,270

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

Water	\$ 188,369
Sewer	192,846
Stormwater	<u>79,931</u>
Total Depreciation Expense	<u>\$ 461,146</u>

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015, consisted of taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, TIF, interest on investments and utility accounts. All receivables are considered fully collectible. Utility accounts receivable at December 31, 2015 were \$115,722.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

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. 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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local 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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 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>
2015 Statutory Maximum Contribution Rates:			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2015 Actual Contribution Rates:			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0%	2.0%	2.0%
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 \$142,781 for 2015; \$2,213 is reported as an intergovernmental payable.

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

Plan Description - City full-time police 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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 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
2015 Statutory Maximum Contribution Rates:	
Employer	19.50%
Employee:	
January 1, 2015 through July 1, 2015	11.50%
July 2, 2015 through December 31, 2015	12.25%
2015 Actual Contribution Rates:	
Employer:	
Pension	19.00%
Post-employment Health Care Benefits	0.50%
Total Employer	19.50%
Employee:	
January 1, 2015 through July 1, 2015	11.50%
July 2, 2015 through December 31, 2015	12.25%

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$60,533 for 2015; \$2,083 is reported as an intergovernmental payable.

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, 2014, 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. 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	\$ 1,161,003	\$ 753,245	\$ 1,914,248
Proportion of the net pension liability	0.009626%	0.0145403%	
Pension expense	\$ 126,296	\$ 73,474	\$ 199,770

At December 31, 2015, 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	\$ 61,948	\$ 32,464	\$ 94,412
City contributions subsequent to the measurement date	<u>142,781</u>	<u>60,533</u>	<u>203,314</u>
Total	<u>\$ 204,729</u>	<u>\$ 92,997</u>	<u>\$ 297,726</u>
<u>Deferred Inflows of Resources:</u>			
Differences between expected and actual experience	<u>\$ 20,398</u>	<u>\$ -</u>	<u>\$ 20,398</u>

\$203,314 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2016	\$ 6,076	\$ 8,116	\$ 14,192
2017	6,076	8,116	14,192
2018	13,912	8,116	22,028
2019	15,486	8,116	23,602
	\$ 41,550	\$ 32,464	\$ 74,014

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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25% to 10.05% including wage inflation
COLA or Ad Hoc COLA	3.00%, simple
Investment rate of return	8.00%
Actuarial cost method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

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 6.95 percent for 2014.

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 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	<u>18.00%</u>	4.59%
Total	<u>100.00%</u>	

Discount Rate The discount rate used to measure the total pension liability was 8 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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability	\$ 2,135,913	\$ 1,161,003	\$ 339,894

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, 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, 2014, are presented below:

Valuation Date	January 1, 2014
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%

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, 2014 are summarized below:

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - Continued

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash & Cash Equivalents	0.00%	-0.25%
Domestic Equity	16.00%	4.47%
Non-US Equity	16.00%	4.47%
Core Fixed Income *	20.00%	1.62%
Global Inflation Protected *	20.00%	1.33%
High Yield	15.00%	3.39%
Real Estate	12.00%	3.93%
Private Markets	8.00%	6.98%
Timber	5.00%	4.92%
Master Limited Partnerships	<u>8.00%</u>	7.03%
Total	<u>120.00%</u>	

* - 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.

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	\$ 1,041,835	\$ 753,245	\$ 508,874

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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) maintains two cost-sharing multiple employer defined benefit postemployment healthcare plans, which includes a medical plan, prescription drug program, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for postemployment 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 Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided 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#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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 to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee’s Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The 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 VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Actual employer contributions for 2015, 2014 and 2013 which were used to fund postemployment benefits were \$23,797, \$26,500 and \$12,431, respectively; 100% has been contributed for all three years.

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 survivor benefit check or is a spouse or eligible dependent child of such person.

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 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 for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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% covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. 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. The portion of employer contributions allocated to the health care plan was 0.50% of covered payroll for the period January 1, 2015 thru December 31, 2015. 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 City's actual contributions for 2015, 2014 and 2013 that were used to fund postemployment benefits were \$1,552, \$1,868 and \$12,815, respectively; 100% has been contributed for all three years.

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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

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 \$114,033 at December 31, 2015.

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, 2015 was \$116,386.

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 2015 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	9,854,802	1,000
Terrorism	9,854,802	25,000
Inland Marine	9,854,802	1,000
Special Property	1,740,383	1,000
Crime	100,000	100
EDP	102,020	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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - RISK MANAGEMENT (Continued)

For 2015, 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 \$244,000 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 \$250. If the money set aside is not depleted, the City places the excess into a savings account. In 2015, the City made no contributions to or withdrawals from the savings account and the account has an approximate balance of \$129,148. 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 prior years, the City entered into lease agreements for the purchase of equipment and vehicles. These leases meet the criteria to be classified as a capital lease where in both the benefits and risks of ownership were transferred to the lessee.

Capital lease payments have been reclassified and are reflected as debt service in the respective funds instead of the functional expenditures reported on a budgetary basis. The bobcat and trailer purchased in 2014 were capitalized on the statement of net position for \$81,172. The ambulance purchased in 2012 has been capitalized on the statement of net position for \$211,645 and the dump truck has been capitalized on the statement of net position for \$209,300. Principal payments in 2015 for capital leases were \$76,875.

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, 2015.

Year ending December 31,	Capital Lease Obligation
2016	\$ 54,165
2017	17,690
2018	17,690
Total minimum lease payments	89,545
Less: Amount representing interest	(3,690)
Minimum lease payments	<u>\$ 85,855</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Restated Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015	Amount Due In One Year
<u>Governmental Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 899,250	\$ -	\$ (50,000)	\$ 849,250	\$ 57,125
Long-term Notes Payable	257,000	-	(38,500)	218,500	40,000
Capital lease obligation	135,706	-	(66,062)	69,644	40,649
Compensated Absences	124,039	26,143	(19,850)	130,332	20,850
Net Pension Liability:					
OPERS	788,680	18,106	-	806,786	-
OP&F	708,158	45,088	-	753,246	-
Total governmental activities	<u>\$ 2,912,833</u>	<u>\$ 89,337</u>	<u>\$ (174,412)</u>	<u>\$ 2,827,758</u>	<u>\$ 158,624</u>
<u>Business-type Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 45,750	\$ -	\$ (30,000)	\$ 15,750	\$ 7,875
OPWC Loans	2,204,457	163,585	(110,429)	2,257,613	112,920
Long-term Notes Payable	493,000	500,000	(67,500)	925,500	116,000
Capital lease obligation	27,024	-	(10,813)	16,211	11,006
Compensated Absences	100,480	14,680	(15,073)	100,087	16,075
Net Pension Liability:					
OPERS	346,100	8,116	-	354,216	-
Total business-type activities	<u>\$ 3,216,811</u>	<u>\$ 686,381</u>	<u>\$ (233,815)</u>	<u>\$ 3,669,377</u>	<u>\$ 263,876</u>

The City issued general obligation bonds in 2007 to refinance short-term bond anticipation notes issued for the construction costs associated with the repair and replacement of water and sewer lines, renovation of the municipal building and the expansion of the fire station. The general obligations bonds will be paid from the General Fund, Police Fund, Fire/EMS Fund, Street Levy Fund, Water 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
2016	\$ 57,125	\$ 39,619	\$ 7,875	\$ 1,150
2017	57,125	36,456	7,875	575
2018	60,000	33,294	-	-
2019	60,000	30,594	-	-
2020	65,000	27,894	-	-
2021-2025	375,000	92,444	-	-
2026-2027	175,000	12,256	-	-
Total	<u>\$ 849,250</u>	<u>\$ 272,557</u>	<u>\$ 15,750</u>	<u>\$ 1,725</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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	14,188	n/a	Water Fund
Concord West Channel Rehabilitation	2012	50,000	2042	Storm Water Fund
Storm Sewer Lateral and Basin - Phase 1	2015	149,397	2045	Storm Water Fund

The City's future debt service payments for the interest free OPWC loans presented below do not include the W. Martindale Water Main Replacement loan as the project has not been finalized and no formal repayment schedule has been established to date.

Business-Type Activities			
Year	Principal	Year	Principal
2016	\$ 112,920	2021-2025	548,459
2017	112,922	2026-2030	482,634
2018	112,921	2031-2035	326,560
2019	112,921	2036-2040	282,757
2020	112,920	2041-2045	38,411
		Total	<u>\$ 2,243,425</u>

In 2015, the City issued two bond anticipation notes (BANs); one to refinance a BAN issued in the prior year to finance the acquisition of a fire truck and the Old Springfield Rd. sewer extension project and the other to finance 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 \$218,500, \$425,500, and \$500,000 respectively and matured on March 4, 2016. The BANs were refinanced by the City by issuing a BAN, at 1.75% interest rate, totaling \$988,000; \$178,500 related to the purchase of the fire truck, \$354,500 related to the sewer extension project, and \$455,000 for waste water treatment plant improvements. As the refinancing of these BANs extended the terms of past one year from the date of the end of the current fiscal year, the 2015 BANs were classified as long term obligations, with the amount the reduced amount at which the 2016 BANs were issued being reported as due within one year. The fire truck portion of the BAN is being repaid from the Fire/EMS Fund and the portion of the BAN related to the sewer extension and waste water treatment plant projects are repaid from the Sewer Fund.

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

At December 31, 2015, the City's overall legal debt margin was \$7,938,910 and the unvoted debt margin was \$3,201,810.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

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 police fund to the non-major police pension fund are regular transfers which enables the City to make its annual payment on pension obligations. The transfer from the water fund to the storm water fund represented the payment of debt service by the water fund which was recorded in the storm sewer fund during the year. The City had the following transfers during 2015:

Transfer from Fund	Transfer to Fund	Amount
General	Fire/EMS Fund	\$ 32,000
	Other Governmental	8,000
Police	Other Governmental	24,500
Water	Storm Water	4,250
		\$ 68,750

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2015 to December 31, 2015 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 – 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, 2015 the Montgomery County Port Authority had a balance of \$11.9 in SIB loan and private purpose bonds issued on behalf of the City to pay for construction costs to date. 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 loan has been closed out. 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 \$11.9 million currently owed for this project at the end of 2015 as an intergovernmental payable with an offsetting deferred outflow of resources representing amounts are currently due for payment.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 18 – SUBSEQUENT EVENTS

On March 3, 2016, the City issued a various purpose general obligation bond anticipation note in the amount of \$988,000 (1.75 percent fixed rate) in order to refinance the 2015 outstanding bond anticipation notes associated with the fire truck purchase, the Old Springfield Rd. sewer extension, and the waste water system treatment plant improvements. The 2016 note has a maturity date of March 4, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF UNION
MONTGOMERY COUNTY, OHIO**

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

LAST TWO YEARS (1)

	2014	2013
<u>Ohio Public Employees Retirement</u>		
<u>System - Traditional Plan:</u>		
City's Proportion of the Net Pension Liability	0.009626%	0.009626%
City's Proportionate Share of the Net Pension Liability	\$ 1,161,003	\$ 1,134,780
City's Covered-Employee Payroll	\$ 3,3: 2,400	\$ 1,245,268
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	; 8.39%	130.94%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	86.45%	86.36%
 <u>Ohio Police and Fire Pension Fund:</u>		
City's Proportion of the Net Pension Liability	0.0145403%	0.0145403%
City's Proportionate Share of the Net Pension Liability	\$ 753,245	\$ 708,158
City's Covered-Employee Payroll	\$ 298,870	\$ 343,314
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	252.03%	206.27%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	72.20%	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.

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

	2015	2014	2013
<u>Ohio Public Employees Retirement System - Traditional Plan:</u>			
Contractually Required Contribution	\$ 142,781	\$ 141,624	\$ 132,996
Contributions in Relation to the Contractually Required Contributions	(142,781)	(141,624)	(132,996)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City Covered-Employee Payroll	\$ 1,189,842	\$ 1,180,200	\$ 1,023,046
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%
<u>Ohio Police and Fire Pension Fund:</u>			
Contractually Required Contribution	\$ 60,533	\$ 60,850	\$ 58,638
Contributions in Relation to the Contractually Required Contributions	(60,533)	(60,850)	(58,638)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City Covered-Employee Payroll	\$ 301,309	\$ 298,870	\$ 343,314
Contributions as a Percentage of Covered-Employee Payroll	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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 157,500	157,500	147,295	(10,205)
Municipal Income Taxes	600,000	715,000	741,558	26,558
Intergovernmental Revenue	97,700	97,700	147,721	50,021
Charges for Services	-	-	13,761	13,761
Fines, Licenses and Permits	102,300	102,300	160,446	58,146
Investment Income	100	100	603	503
Other Revenue	84,354	84,354	162,376	78,022
Total Revenues	<u>1,041,954</u>	<u>1,156,954</u>	<u>1,373,760</u>	<u>216,806</u>
Expenditures:				
Current:				
General Government	860,909	1,025,909	998,423	27,486
Capital Outlay	263,691	213,691	144,412	69,279
Total Expenditures	<u>1,124,600</u>	<u>1,239,600</u>	<u>1,142,835</u>	<u>96,765</u>
Excess of Revenues Over (Under) Expenditures	<u>(82,646)</u>	<u>(82,646)</u>	<u>230,925</u>	<u>313,571</u>
Other Financing Sources (Uses):				
Transfers Out	(118,000)	(118,000)	(118,000)	-
Total Other Financing Sources (Uses)	<u>(118,000)</u>	<u>(118,000)</u>	<u>(118,000)</u>	<u>-</u>
Net Change in Fund Balance	(200,646)	(200,646)	112,925	313,571
Fund Balance, Beginning of Year	<u>291,443</u>	<u>291,443</u>	<u>291,443</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 90,797</u>	<u>90,797</u>	<u>404,368</u>	<u>313,571</u>

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 710,000	710,000	679,346	(30,654)
Intergovernmental Revenue	134,000	134,000	132,189	(1,811)
Investment Income	50	50	283	233
Other Revenue	-	-	3,008	3,008
Total Revenues	844,050	844,050	814,826	(29,224)
Expenditures:				
Current:				
Security of Persons and Property	827,545	749,045	712,607	36,438
Capital Outlay	32,069	32,069	23,276	8,793
Debt Service:				
Principal	12,500	12,500	12,500	-
Interest	10,436	10,436	10,436	-
Total Expenditures	882,550	804,050	758,819	45,231
Excess of Revenues Over (Under) Expenditures	(38,500)	40,000	56,007	16,007
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	3,301	3,301
Transfers Out	(24,500)	(24,500)	(24,500)	-
Total Other Financing Sources (Uses)	(24,500)	(24,500)	(21,199)	3,301
Net Change in Fund Balance	(63,000)	15,500	34,808	19,308
Fund Balance, Beginning of Year	77,805	77,805	77,805	-
Fund Balance, End of Year	\$ 14,805	93,305	112,613	19,308

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 370,000	370,000	361,895	(8,105)
Intergovernmental Revenue	68,000	68,000	66,647	(1,353)
Charges for Services	175,000	175,000	187,367	12,367
Investment Income	50	50	161	111
Other Revenue	-	-	3,517	3,517
Total Revenues	613,050	613,050	619,587	6,537
Expenditures:				
Current:				
Security of Persons and Property	565,400	565,400	558,403	6,997
Capital Outlay	10,842	10,842	974	9,868
Debt Service:				
Principal	294,500	294,500	294,500	-
Interest	40,308	40,308	35,326	4,982
Total Expenditures	911,050	911,050	889,203	21,847
Excess of Revenues Over (Under) Expenditures	(298,000)	(298,000)	(269,616)	28,384
Other Financing Sources (Uses):				
Proceeds from Note Issuance	218,500	218,500	218,500	-
Transfers In	32,000	32,000	32,000	-
Total Other Financing Sources (Uses)	250,500	250,500	250,500	-
Net Change in Fund Balance	(47,500)	(47,500)	(19,116)	28,384
Fund Balance, Beginning of Year	65,123	65,123	65,123	-
Fund Balance, End of Year	\$ 17,623	17,623	46,007	28,384

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
Street Light Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 370,000	370,000	368,779	(1,221)
Investment Income	200	200	612	412
Other Revenue	-	-	40,151	40,151
Total Revenues	<u>370,200</u>	<u>370,200</u>	<u>409,542</u>	<u>39,342</u>
Expenditures:				
Current:				
Security of Persons and Property	396,125	398,625	372,620	26,005
Capital Outlay	241,575	239,075	18,144	220,931
Total Expenditures	<u>637,700</u>	<u>637,700</u>	<u>390,764</u>	<u>246,936</u>
Net Change in Fund Balances	(267,500)	(267,500)	18,778	286,278
Fund Balance, Beginning of Year	<u>333,262</u>	<u>333,262</u>	<u>333,262</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 65,762</u>	<u>65,762</u>	<u>352,040</u>	<u>286,278</u>

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
Refuse Fund
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Charges for Services	\$ 515,000	515,000	539,982	24,982
Investment Income	50	50	180	130
Other Revenue	-	-	60	60
Total Revenues	<u>515,050</u>	<u>515,050</u>	<u>540,222</u>	<u>25,172</u>
Expenditures:				
Current:				
Community Environment	527,537	528,537	517,232	11,305
Capital Outlay	65,733	64,733	1,681	63,052
Debt Service:				
Principal	6,500	6,500	-	6,500
Interest	280	280	-	280
Total Expenditures	<u>600,050</u>	<u>600,050</u>	<u>518,913</u>	<u>81,137</u>
Net Change in Fund Balances	(85,000)	(85,000)	21,309	106,309
Fund Balance, Beginning of Year	<u>108,259</u>	<u>108,259</u>	<u>108,259</u>	-
Fund Balance, End of Year	<u>\$ 23,259</u>	<u>23,259</u>	<u>129,568</u>	<u>106,309</u>

See accompanying notes to the required supplementary information.

CITY OF UNION, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

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. For 2015, the TIF Fund did not realize any cash receipts, disbursements or encumbrances and therefore the City did not include this fund within its budget receipts or appropriations. 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 (NonGAAP 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, 2015

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	Street Light	Refuse
GAAP Basis	\$ 147,346	\$ 56,686	\$ 2,178	\$ 19,843	\$ 22,123
Revenue Accruals	35,447	(16,822)	(8,971)	-	(1,191)
Expenditure Accruals	(65,156)	(5,056)	(230,823)	(1,065)	377
Fund Debt Components	-	-	218,500	-	-
Combined Funds with Legally Adopted Separate Budgets	(4,712)	-	-	-	-
Budget Basis	<u>\$ 112,925</u>	<u>\$ 34,808</u>	<u>\$ (19,116)</u>	<u>\$ 18,778</u>	<u>\$ 21,309</u>

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Union
Montgomery County
118 North Main Street
Union, Ohio 45322

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Montgomery County, (the City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 15, 2017, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

February 15, 2017



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
MARCH 7, 2017**