

**CITY OF UNION, OHIO**

**Basic Financial Statements**

**December 31, 2004**

**with**

**Independent Auditors' Report**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Union, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 30, 2008

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## CITY OF UNION, OHIO

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Union, Ohio (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio as of December 31, 2004, and the respective change in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general, police, fire/ems, street light, and refuse funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 4 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"; GASB Statement No. 37, "Basic Financial – and Management's Discussion and Analysis - Statements for State and Local Governments: Omnibus"; GASB Statement No. 38; "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" for the year ended December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2007 on our consideration of the City of Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
August 28, 2007

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
(Unaudited)

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The discussion and analysis of the City of Union's financial performance provides an overview of the City's financial activities for the year ended December 31, 2004. 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 2004 are as follows:

- Governmental activities reported a positive net change in net assets of \$658,506, a 31.2% increase.
- Business-type activities reported a positive net change in net assets of \$421,677, a 4.9% increase.
- The General Fund reported a fund balance of \$53,155 which represents an increase of \$18,527, or 53.5%.
- On the budgetary basis actual revenues exceeded actual expenditures in the General Fund by \$11,407, which increases the unencumbered cash balance to \$117,796.

### **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 Assets 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 six significant funds. The remaining non-major funds are presented in total in one column.

### **Reporting the City as a Whole**

#### *Statement of Net Assets 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 2004?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities of the City using the accrual basis of accounting, similar to the accounting methods used by 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 assets and the change in those assets from the prior year. Net assets can be defined as the difference between assets and liabilities, and the measurement of this difference can be used to monitor the City's financial health. Other factors must then be considered, such

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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 Assets 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, 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*

Fund financial statements provide the detailed information about the General, Police, Fire/EMS, Street Light, Refuse and Street Levy funds. 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* – 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. We detail the relationship between net assets of governmental activities, as reported in the Statement of Net Assets and the Statement of Activities, and governmental fund balances in a reconciliation on pages 13 and 15.

*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 Assets and the Statement of Activities. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match one another.

*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 notes to the basic financial statements begin on page 24.

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**The City as a Whole**

The Statement of Net Assets provides a perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for the year ended December 31, 2004 as compared to December 31, 2003

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

	2004			2003		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>						
Current Assets	\$ 2,818,350	1,054,464	3,872,814	\$ 1,993,008	790,522	2,783,530
Capital Assets, Net	2,149,793	8,579,106	10,728,899	1,986,798	8,469,281	10,456,079
Total Assets	<u>4,968,143</u>	<u>9,633,570</u>	<u>14,601,713</u>	<u>3,979,806</u>	<u>9,259,803</u>	<u>13,239,609</u>
<b>Liabilities:</b>						
Current Liabilities	2,106,325	494,519	2,600,844	1,665,143	434,506	2,099,649
Long-Term Liabilities	95,545	146,090	241,635	206,896	254,013	460,909
Total Liabilities	<u>2,201,870</u>	<u>640,609</u>	<u>2,842,479</u>	<u>1,872,039</u>	<u>688,519</u>	<u>2,560,558</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	1,794,379	8,020,356	9,814,735	1,518,136	7,820,670	9,338,806
Restricted	556,874	-	556,874	86,341	-	86,341
Unrestricted	415,020	972,605	1,387,625	503,290	750,614	1,253,904
Total Net Assets	<u>\$ 2,766,273</u>	<u>8,992,961</u>	<u>11,759,234</u>	<u>\$ 2,107,767</u>	<u>8,571,284</u>	<u>10,679,051</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2004 the City's net assets were \$11.8 million. Of this amount, \$9.8 million was invested in capital assets and \$556,874 was subject to external restrictions for its use. The remaining amount, \$1.4 million, was unrestricted and available for future use as directed by City Council and the City administration.

The following table identifies the origin of the increase in net assets by displaying condensed data from the Statement of Activities. Since this is the first year the City has implemented GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

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**TABLE 2**  
Change in Net Assets, December 31, 2004

	Governmental Activities	Business-Type Activities	Total
<b>REVENUES:</b>			
Program Revenues:			
Charges for Services	\$ 957,079	1,200,133	2,157,212
Operating Grants and Contributions	717,896	-	717,896
Capital Grants and Contributions	114,809	393,856	508,665
General Revenues:			
Property Taxes	916,619	-	916,619
Intergovernmental	270,557	-	270,557
Investment Income	3,544	5,999	9,543
Other Revenue	305,804	38,320	344,124
Transfers	(7,220)	7,220	-
Total Revenue	<u>3,279,088</u>	<u>1,645,528</u>	<u>4,924,616</u>
<b>EXPENSES:</b>			
Security of Person and Property	1,158,026	-	1,158,026
Public Health Services	17,545	-	17,545
Leisure Time Activities	70,495	-	70,495
Community Environment	341,024	-	341,024
Transportation	508,842	-	508,842
General Government	511,022	-	511,022
Water	-	509,755	509,755
Sewer	-	578,346	578,346
Stormwater	-	128,266	128,266
Other Business-Type Expenses	-	7,484	7,484
Interest Expense	13,628	-	13,628
Total Expenses	<u>2,620,582</u>	<u>1,223,851</u>	<u>3,844,433</u>
Change in Net Assets	658,506	421,677	1,080,183
Net Assets, Beginning of Year	<u>2,107,767</u>	<u>8,571,284</u>	<u>10,679,051</u>
Net Assets, End of Year	<u>\$ 2,766,273</u>	<u>8,992,961</u>	<u>11,759,234</u>

***Governmental Activities***

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 and operating grants, the Public Safety Division receives approximately 63.8% of property tax revenues to cover net expenses of \$365,227. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$511,022.

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***Business-Type Activities***

Overall, the City's business-type activities generated \$1.2 million in charges for services revenue, which is slightly less than the expenses reported for various business-type activities. The revenue reported for capital grants and contributions of \$393,856 relates to capital contributions from various developers as well as a small capital grant received from the State of Ohio. These capital revenues resulted in the business-type activities reporting an excess of revenues over expenses of \$370,138 from operations. Non-operating revenues of \$51,539 added to the results of operation account for the total change in business-type activities net assets of \$421,677.

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 Cost of Program Services  
For the Year Ended December 31, 2004

	Total Cost of Service	Net Cost of Service
Governmental Activities:		
Security of Person and Property	\$ 1,158,026	(365,227)
Public Health Services	17,545	(5,510)
Leisure Time Activities	70,495	(22,139)
Community Environment	341,024	(107,100)
Transportation	508,842	(152,811)
General Government	511,022	(164,382)
Interest Expense	13,628	(13,628)
Total	\$ 2,620,582	(830,797)
Business-Type Activities:		
Water	\$ 509,755	87,956
Sewer	578,346	189,842
Stormwater	128,266	99,824
Other Business-Type Expenses	7,484	(7,484)
Total	\$ 1,223,851	370,138

**THE CITY'S FUNDS**

The balance sheet for the City's major governmental funds is reflected on pages 12 – 13. These funds are reported using a modified accrual basis of accounting, allowing for a reasonable comparison to last year balances. Total governmental fund balances are \$331,284, of which \$288,687 is unreserved. Revenues and expenditures are reflected on pages 14 – 15. The net change in fund balances for all governmental funds was \$55,676.

The General Fund balance increased by \$18,527, caused by a modest increase in revenues and moderate decrease in expenditures.

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Fund balance in the Police Fund decreased by \$19,322 to \$(8,027). The ending deficit fund balance was caused by the recognition of the short-term notes payable liability.

The Fire/EMS fund reported a fund balance decrease of \$27,721; largely due to an increase in the level of services provided.

Fund balance in the Street Light fund increased by \$33,553 to \$51,044. This is due to an increase in special assessment revenue as a result of increased development during 2004.

The Refuse fund did not experience a significant change in fund balance, an increase of only \$1,931, due to the City's desire to recover costs and not to make a profit on the services provided.

The Street Levy fund reported an increase in fund balance of \$19,383, due to the reimbursement of expenditures incurred in the resurfacing of Phillipsburg-Union Road. However the fund has a negative fund balance of \$81,452 due to reporting a liability for the reconstruction of St. Rt. 48.

Governmental fund expenditures showed an increase over 2003 of \$83,408 or 3.3%. This slight increase was due to increases in personnel and other operating costs, mainly due to the additional fire/EMS services provided in 2004.

The proprietary funds showed a net operating income of \$80,852. This increase is primarily due to the accumulation of tap in fees from new home construction. These monies are held with in the fund until the City earmarks them for capital infrastructure improvements. No major projects took place in 2004.

***General Fund Budgeting Highlights***

For the General Fund, actual budget basis revenue was \$570,401 as compared to the final budget estimate of \$540,434 and the original budget estimate of \$406,230. The variance between actual and the final budget basis revenue is primarily due to the City receiving reimbursement for capital projects that was not anticipated at the time of budget preparation.

Total actual expenditures on the budget basis were \$737,294, \$166,893 above revenues, as well as \$45,764 above original budget estimates.

**CAPITAL ASSETS AND INFRASTRUCTURE**

At December 31, 2004, the City has invested in land, construction in progress, buildings and equipment with amounts totaling \$2.1 million and \$8.6 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2004 balances compared to December 31, 2003 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 8.

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**TABLE 4**  
Capital Assets, December 31

	2004			2003		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 581,806	-	581,806	561,586	-	561,586
Construction in Progress	-	33,891	33,891	-	-	-
Infrastructure	282,289	9,770,813	10,053,102	-	9,383,863	9,383,863
Buildings	919,919	3,160,676	4,080,595	919,919	3,160,676	4,080,595
Equipment	1,423,127	624,757	2,047,884	1,411,168	658,549	2,069,717
Vehicles	157,425	30,561	187,986	137,385	-	137,385
Less: Accumulated						
Depreciation	(1,214,773)	(5,041,592)	(6,256,365)	(1,043,260)	(4,733,807)	(5,777,067)
Totals	\$ <u>2,149,793</u>	<u>8,579,106</u>	<u>10,728,899</u>	<u>1,986,798</u>	<u>8,469,281</u>	<u>10,456,079</u>

Overall, capital assets increased approximately \$272,820 from December 31, 2003. The increase in capital assets related primarily to the addition of infrastructure and the construction in progress of water and sewer lines.

**DEBT ADMINISTRATION**

At December 31, 2004, the City's long-term debt consisted of a general obligation bond and a capital lease. The general obligation bond was issued in 1999 and is scheduled to be paid in full during fiscal year 2005. The balance at December 31, 2004 is \$145,000 and is paid from the Street Levy capital projects fund, Street special revenue fund and the Water, Sewer and Storm Water enterprise funds. The capital lease was entered into to acquire a mower and sewer cleaner. The capital lease is paid from the enterprise funds and is scheduled to be paid in full during fiscal year 2006.

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, 2004, the City's legal debt margin was \$8,076,213.

See Note 13 and 15 of the Notes to the Basic Financial Statements for more detailed information on long-term debt of the City.

**CONTACTING THE CITY'S FINANCE DEPARTMENT**

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

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

Statement of Net Assets  
December 31, 2004

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 610,356	958,053	1,568,409
Receivables (net of allowances for uncollectibles):			
Taxes	1,396,351	-	1,396,351
Accounts	34,340	85,465	119,805
Special Assessments	401,120	-	401,120
Due from Other Governments	333,586	-	333,586
Prepaid Items	25,029	5,863	30,892
Materials and Supplies Inventory	17,568	5,083	22,651
Capital Assets:			
Capital assets not subject to depreciation	581,806	33,891	615,697
Capital assets, net of accumulated depreciation	<u>1,567,987</u>	<u>8,545,215</u>	<u>10,113,202</u>
 Total Assets	 <u>4,968,143</u>	 <u>9,633,570</u>	 <u>14,601,713</u>
<b>LIABILITIES:</b>			
Accounts Payable	26,323	11,253	37,576
Accrued Wages and Benefits	16,583	7,393	23,976
Due to Other Governments	52,696	16,400	69,096
Accrued Interest Payable	3,676	4,977	8,653
Unearned Revenue	1,704,243	-	1,704,243
Notes Payable	302,804	454,496	757,300
Noncurrent Liabilities:			
Due Within One Year	52,610	98,184	150,794
Due In More Than One Year	<u>42,935</u>	<u>47,906</u>	<u>90,841</u>
 Total Liabilities	 <u>2,201,870</u>	 <u>640,609</u>	 <u>2,842,479</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	1,794,379	8,020,356	9,814,735
Restricted for:			
Other Purposes	556,874	-	556,874
Unrestricted	<u>415,020</u>	<u>972,605</u>	<u>1,387,625</u>
 Total Net Assets	 <u>\$ 2,766,273</u>	 <u>8,992,961</u>	 <u>11,759,234</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2004

<b>Functions/Programs:</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Security of Persons and Property	\$ 1,158,026	425,415	367,384	-	(365,227)		(365,227)
Public Health Services	17,545	6,463	5,572	-	(5,510)		(5,510)
Leisure Time Activities	70,495	25,969	22,387	-	(22,139)		(22,139)
Community Environment	341,024	125,626	108,297	-	(107,101)		(107,101)
Transportation	508,842	187,447	53,775	114,809	(152,811)		(152,811)
General Government	511,022	186,159	160,481	-	(164,382)		(164,382)
Interest Expense	13,628	-	-	-	(13,628)		(13,628)
Total Governmental Activities	<u>2,620,582</u>	<u>957,079</u>	<u>717,896</u>	<u>114,809</u>	<u>(830,798)</u>		<u>(830,798)</u>
<b>Business-Type Activities:</b>							
Water	509,755	468,981	-	128,730		87,956	87,956
Sewer	578,346	642,284	-	125,904		189,842	189,842
Stormwater	128,266	88,868	-	139,222		99,824	99,824
Other Business-Type Activities	7,484	-	-	-		(7,484)	(7,484)
Total Business-Type Activities	<u>1,223,851</u>	<u>1,200,133</u>	<u>-</u>	<u>393,856</u>		<u>370,138</u>	<u>370,138</u>
Total	\$ <u>3,844,433</u>	<u>2,157,212</u>	<u>717,896</u>	<u>508,665</u>	<u>(830,798)</u>	<u>370,138</u>	<u>(460,660)</u>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property Taxes Levied for:							
General Operations					139,645	-	139,645
Public Safety					584,554	-	584,554
Street Maintenance and Repair					192,420	-	192,420
Grants and Contributions not Restricted to Specific Programs					270,557	-	270,557
Investment Income					3,544	5,999	9,543
Other Revenue					305,804	37,908	343,712
Gain on Sale of Assets					-	412	412
Transfers					(7,220)	7,220	-
Total General Revenues					<u>1,489,304</u>	<u>51,539</u>	<u>1,540,843</u>
Change in Net Assets					658,506	421,677	1,080,183
Net Assets, Beginning of Year - Restated					<u>2,107,767</u>	<u>8,571,284</u>	<u>10,679,051</u>
Net Assets, End of Year					\$ <u>2,766,273</u>	<u>8,992,961</u>	<u>11,759,234</u>

See accompanying notes to the basic financial statements.

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

Balance Sheet  
Governmental Funds  
December 31, 2004

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 122,955	80,234	64,042	52,130	43,055
Receivables					
Taxes	152,828	666,416	344,591	-	-
Accounts	27,102	-	-	-	7,238
Special Assessments	-	-	-	401,120	-
Due from Other Governments	105,638	44,283	22,961	-	-
Prepaid Items	4,792	5,509	6,603	-	317
Materials and Supplies Inventory	5,099	-	-	-	-
	<u>418,414</u>	<u>796,442</u>	<u>438,197</u>	<u>453,250</u>	<u>50,610</u>
Total Assets	\$				
<b>LIABILITIES:</b>					
Accounts Payable	\$ 1,057	1,345	743	19	22,457
Accrued Wages and Benefits	2,934	8,105	34	317	588
Due to Other Governments	4,712	7,833	19,887	750	3,122
Accrued Interest Payable	1,116	785	-	-	-
Deferred Revenue	247,838	710,699	367,552	401,120	-
Notes Payable	107,602	75,702	-	-	-
	<u>365,259</u>	<u>804,469</u>	<u>388,216</u>	<u>402,206</u>	<u>26,167</u>
Total Liabilities					
<b>FUND BALANCES:</b>					
Reserved for:					
Materials and Supplies Inventory	5,099	-	-	-	-
Prepaid Items	4,792	5,509	6,603	-	317
Unreserved, Undesignated:					
General Fund	43,264	-	-	-	-
Special Revenue Funds	-	(13,536)	43,378	51,044	24,126
Capital Projects Funds	-	-	-	-	-
	<u>53,155</u>	<u>(8,027)</u>	<u>49,981</u>	<u>51,044</u>	<u>24,443</u>
Total Fund Balances					
Total Liabilities and Fund Balances	\$ <u>418,414</u>	<u>796,442</u>	<u>438,197</u>	<u>453,250</u>	<u>50,610</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities

Street Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds		
			Total Governmental Fund Balances	\$ 331,284
37,772	210,168	610,356		
207,962	24,554	1,396,351	Amounts reported for governmental activities in the Statement of Net Assets are different because:	
-	-	34,340		
-	-	401,120	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,149,793
13,517	147,187	333,586		
2,691	5,117	25,029		
-	12,469	17,568		
<u>261,942</u>	<u>399,495</u>	<u>2,818,350</u>	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
-	702	26,323	Property Taxes	41,726
191	4,414	16,583	Special Assessments	51,502
449	15,943	52,696	Intergovernmental	<u>287,513</u>
1,775	-	3,676		380,741
221,479	136,296	2,084,984		
119,500	-	302,804	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
<u>343,394</u>	<u>157,355</u>	<u>2,487,066</u>	General Obligation Bonds Payable	(52,610)
			Compensated Absences	<u>(42,935)</u>
-	12,469	17,568		(95,545)
2,691	5,117	25,029	Net Assets of Governmental Activities	\$ <u>2,766,273</u>
-	-	43,264		
-	224,554	329,566		
(84,143)	-	(84,143)		
<u>(81,452)</u>	<u>242,140</u>	<u>331,284</u>		
<u>261,942</u>	<u>399,495</u>	<u>2,818,350</u>		

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2004

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
<b>REVENUES:</b>					
Property Taxes	\$ 133,194	402,771	133,870	-	-
Intergovernmental Revenue	226,274	63,434	53,159	-	7,030
Charges for Services	73,554	-	72,140	-	340,754
Special Assessments	-	-	-	306,688	-
Fines, Licenses and Permits	121,411	-	-	-	-
Investment Income	-	600	104	793	350
Other Revenue	-	875	258	-	-
<b>Total Revenues</b>	<u>554,433</u>	<u>467,680</u>	<u>259,531</u>	<u>307,481</u>	<u>348,134</u>
<b>EXPENDITURES:</b>					
Current:					
Security of Persons and Property	-	450,676	321,296	273,928	-
Public Health Services	-	-	-	-	-
Leisure Time Activities	-	-	-	-	-
Community Environment	-	-	-	-	346,203
Transportation	-	-	-	-	-
General Government	450,466	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	2,440	1,658	-	-	-
<b>Total Expenditures</b>	<u>452,906</u>	<u>452,334</u>	<u>321,296</u>	<u>273,928</u>	<u>346,203</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>101,527</u>	<u>15,346</u>	<u>(61,765)</u>	<u>33,553</u>	<u>1,931</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from Sale of Capital Assets	-	332	44	-	-
Transfers In	-	-	34,000	-	-
Transfers Out	(83,000)	(35,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(83,000)</u>	<u>(34,668)</u>	<u>34,044</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	18,527	(19,322)	(27,721)	33,553	1,931
Fund Balance, Beginning of Year	<u>34,628</u>	<u>11,295</u>	<u>77,702</u>	<u>17,491</u>	<u>22,512</u>
Fund Balance, End of Year	<u>\$ 53,155</u>	<u>(8,027)</u>	<u>49,981</u>	<u>51,044</u>	<u>24,443</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities

Street Levy Fund	Nonmajor Governmental Funds	Total Governmental Funds		
			Total Net Change in Fund Balances - Governmental Funds	\$ 55,676
183,702	21,356	874,893	Amounts reported for governmental activities in the statement of activities are different because:	
187,387	278,461	815,745	Governmental funds report capital outlays as expenditures.	
-	33,685	520,133	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
-	-	306,688	Capital Asset Additions	337,036
-	9,600	131,011	Current Year Depreciation	(172,777)
306	1,391	3,544	Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.	
-	1,665	2,798	Loss on the disposal of capital assets	(1,264)
<u>371,395</u>	<u>346,158</u>	<u>2,654,812</u>	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	328,484
-	58,951	1,104,851	Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	74,250
-	17,550	17,550	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:	
-	70,666	70,666	Intergovernmental Payable	27,947
-	-	346,203	Compensated Absences	9,154
286,513	229,561	516,074	Change in Net Assets of Governmental Activities	\$ <u>658,506</u>
-	-	450,466		
55,350	18,900	74,250		
7,839	1,686	13,623		
<u>349,702</u>	<u>397,314</u>	<u>2,593,683</u>		
21,693	(51,156)	61,129		
-	1,391	1,767		
-	84,000	118,000		
(2,310)	(4,910)	(125,220)		
(2,310)	80,481	(5,453)		
19,383	29,325	55,676		
(100,835)	212,815	275,608		
(81,452)	242,140	331,284		

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 142,500	142,500	146,629	4,129
Intergovernmental Revenue	166,250	234,035	227,401	(6,634)
Charges for Services	51,000	51,000	73,554	22,554
Fines, Licenses and Permits	45,180	111,599	121,411	9,812
Investment Income	1,300	1,300	1,406	106
Total Revenues	<u>406,230</u>	<u>540,434</u>	<u>570,401</u>	<u>29,967</u>
Expenditures:				
Current:				
General Government	400,730	534,934	456,159	78,775
Debt Service:				
Principal	288,514	288,514	278,849	9,665
Interest	2,286	2,286	2,286	-
Total Expenditures	<u>691,530</u>	<u>825,734</u>	<u>737,294</u>	<u>88,440</u>
Excess of Revenues Over (Under) Expenditures	<u>(285,300)</u>	<u>(285,300)</u>	<u>(166,893)</u>	<u>118,407</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Notes	270,800	270,800	261,300	(9,500)
Transfers Out	(83,000)	(83,000)	(83,000)	-
Total Other Financing Sources (Uses)	<u>187,800</u>	<u>187,800</u>	<u>178,300</u>	<u>(9,500)</u>
Net Change in Fund Balance	(97,500)	(97,500)	11,407	108,907
Fund Balance, Beginning of Year	<u>106,389</u>	<u>106,389</u>	<u>106,389</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 8,889</u>	<u>8,889</u>	<u>117,796</u>	<u>108,907</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Police Fund  
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Property Taxes	\$ 430,600	438,236	442,309	4,073
Intergovernmental Revenue	60,100	61,673	63,434	1,761
Investment Income	500	500	600	100
Other Revenue	-	-	875	875
<b>Total Revenues</b>	<b>491,200</b>	<b>500,409</b>	<b>507,218</b>	<b>6,809</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	469,200	478,409	448,432	29,977
Principal	9,215	9,215	9,083	132
Interest	785	785	785	-
<b>Total Expenditures</b>	<b>479,200</b>	<b>488,409</b>	<b>458,300</b>	<b>30,109</b>
Excess of Revenues Over (Under) Expenditures	12,000	12,000	48,918	36,918
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	-	-	332	332
Transfers Out	(35,000)	(35,000)	(35,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(35,000)</b>	<b>(35,000)</b>	<b>(34,668)</b>	<b>332</b>
Net Change in Fund Balance	(23,000)	(23,000)	14,250	37,250
Fund Balance, Beginning of Year	65,984	65,984	65,984	-
Fund Balance, End of Year	\$ 42,984	42,984	80,234	37,250

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Fire/EMS Fund  
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 143,700	147,292	147,135	(157)
Intergovernmental Revenue	19,950	53,620	53,159	(461)
Charges for Services	70,000	72,139	72,140	1
Investment Income	200	200	104	(96)
Other Revenue	-	-	258	258
<b>Total Revenues</b>	<b>233,850</b>	<b>273,251</b>	<b>272,796</b>	<b>(455)</b>
Expenditures:				
Current:				
Security of Persons and Property	287,850	338,828	324,891	13,937
<b>Total Expenditures</b>	<b>287,850</b>	<b>338,828</b>	<b>324,891</b>	<b>13,937</b>
Excess of Revenues Over (Under) Expenditures	(54,000)	(65,577)	(52,095)	13,482
Other Financing Sources:				
Proceeds from Sale of Capital Assets	-	-	44	44
Transfers In	34,000	34,000	34,000	-
<b>Total Other Financing Sources</b>	<b>34,000</b>	<b>34,000</b>	<b>34,044</b>	<b>44</b>
Net Change in Fund Balance	(20,000)	(31,577)	(18,051)	13,526
Fund Balance, Beginning of Year	82,093	82,093	82,093	-
Fund Balance, End of Year	\$ 62,093	50,516	64,042	13,526

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Street Light Fund  
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 311,000	311,000	306,688	(4,312)
Investment Income	500	500	793	293
Total Revenues	<u>311,500</u>	<u>311,500</u>	<u>307,481</u>	<u>(4,019)</u>
Expenditures:				
Current:				
Security of Persons and Property	311,500	311,500	273,432	38,068
Total Expenditures	<u>311,500</u>	<u>311,500</u>	<u>273,432</u>	<u>38,068</u>
Excess of Revenues Over (Under) Expenditures	-	-	34,049	34,049
Fund Balance, Beginning of Year	<u>18,081</u>	<u>18,081</u>	<u>18,081</u>	-
Fund Balance, End of Year	<u>\$ 18,081</u>	<u>18,081</u>	<u>52,130</u>	<u>34,049</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Refuse Fund  
For the Year Ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Intergovernmental Revenue	\$ -	-	7,030	7,030
Charges for Services	326,200	338,648	339,813	1,165
Investment Income	200	200	350	150
Total Revenues	<u>326,400</u>	<u>338,848</u>	<u>347,193</u>	<u>8,345</u>
<b>Expenditures:</b>				
Current:				
Community Environment	365,900	378,348	345,563	32,785
Total Expenditures	<u>365,900</u>	<u>378,348</u>	<u>345,563</u>	<u>32,785</u>
Excess of Revenues Over (Under) Expenditures	(39,500)	(39,500)	1,630	41,130
Fund Balance, Beginning of Year	<u>41,425</u>	<u>41,425</u>	<u>41,425</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,925</u>	<u>1,925</u>	<u>43,055</u>	<u>41,130</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2004

	Water	Sewer	Stormwater	Non-Major Enterprise	Total
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$ 369,053	459,919	125,198	3,883	958,053
Accounts Receivable	45,264	38,392	1,809	-	85,465
Supplies Inventory	5,083	-	-	-	5,083
Prepaid Items	3,546	2,000	317	-	5,863
<b>Total Current Assets</b>	<b>422,946</b>	<b>500,311</b>	<b>127,324</b>	<b>3,883</b>	<b>1,054,464</b>
<b>Non-current Assets</b>					
Capital Assets not subject to Depreciation	-	-	33,891	-	33,891
Depreciable Capital Assets, net	3,326,875	3,571,421	1,646,919	-	8,545,215
<b>Total Non-current Assets</b>	<b>3,326,875</b>	<b>3,571,421</b>	<b>1,680,810</b>	<b>-</b>	<b>8,579,106</b>
<b>Total Assets</b>	<b>3,749,821</b>	<b>4,071,732</b>	<b>1,808,134</b>	<b>3,883</b>	<b>9,633,570</b>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	8,099	2,399	755	-	11,253
Accrued Salaries Payable	3,249	3,611	533	-	7,393
Accrued Interest Payable	3,379	561	1,037	-	4,977
Intergovernmental Payable	6,027	8,939	797	637	16,400
Notes Payable	315,498	38,998	100,000	-	454,496
Capital Lease Payable	-	5,794	-	-	5,794
General Obligation Bonds Payable	50,560	41,830	-	-	92,390
<b>Total Current Liabilities</b>	<b>386,812</b>	<b>102,132</b>	<b>103,122</b>	<b>637</b>	<b>592,703</b>
<b>Long Term Liabilities:</b>					
Compensated Absences Payable	17,299	22,160	2,377	-	41,836
Capital Lease Payable	-	6,070	-	-	6,070
<b>Total Long Term Liabilities</b>	<b>17,299</b>	<b>28,230</b>	<b>2,377</b>	<b>-</b>	<b>47,906</b>
<b>Total Liabilities</b>	<b>404,111</b>	<b>130,362</b>	<b>105,499</b>	<b>637</b>	<b>640,609</b>
<b>Net Assets:</b>					
Invested in Capital Assets	2,960,817	3,478,729	1,580,810	-	8,020,356
Unrestricted	384,893	462,641	121,825	3,246	972,605
<b>Total Net Assets</b>	<b>\$ 3,345,710</b>	<b>3,941,370</b>	<b>1,702,635</b>	<b>3,246</b>	<b>8,992,961</b>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the year ended December 31, 2004

	Water	Sewer	Stormwater	Non-major Enterprise	Total
<b>Operating Revenues:</b>					
Charges for Services	\$ 392,181	565,484	88,868	-	1,046,533
Tap-In Fees	76,800	76,800	-	-	153,600
Other Operating Revenue	25,520	12,388	-	-	37,908
<b>Total Operating Revenue</b>	<b>494,501</b>	<b>654,672</b>	<b>88,868</b>	<b>-</b>	<b>1,238,041</b>
<b>Operating Expenses:</b>					
Personal Services	190,364	283,786	32,603	637	507,390
Contractual Services	92,283	108,118	26,637	6,847	233,885
Supplies and Materials	55,723	31,700	9,917	-	97,340
Depreciation	118,900	142,822	56,852	-	318,574
<b>Total Operating Expenses</b>	<b>457,270</b>	<b>566,426</b>	<b>126,009</b>	<b>7,484</b>	<b>1,157,189</b>
<b>Operating Income (Loss)</b>	<b>37,231</b>	<b>88,246</b>	<b>(37,141)</b>	<b>(7,484)</b>	<b>80,852</b>
<b>Non-Operating Revenues (Expenses):</b>					
Interest	2,426	2,959	575	39	5,999
Grant Revenue	-	-	24,659	-	24,659
Interest and Fiscal Charges	(7,690)	(6,505)	(1,880)	-	(16,075)
Gain (loss) on Sale of Assets	(42,009)	412	-	-	(41,597)
Other Non-Operating Expenses	(2,786)	(5,415)	(377)	-	(8,578)
<b>Total Non-Operating Expenses</b>	<b>(50,059)</b>	<b>(8,549)</b>	<b>22,977</b>	<b>39</b>	<b>(35,592)</b>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	<b>(12,828)</b>	<b>79,697</b>	<b>(14,164)</b>	<b>(7,445)</b>	<b>45,260</b>
Transfer-in	9,450	16,751	-	-	26,201
Transfer-out	(2,600)	-	(16,381)	-	(18,981)
Capital Contributions	128,730	125,904	114,563	-	369,197
<b>Change in Net Assets</b>	<b>122,752</b>	<b>222,352</b>	<b>84,018</b>	<b>(7,445)</b>	<b>421,677</b>
<b>Net Assets at Beginning of Year, restated</b>	<b>3,222,958</b>	<b>3,719,018</b>	<b>1,618,617</b>	<b>10,691</b>	<b>8,571,284</b>
<b>Net Assets at End of Year</b>	<b>\$ 3,345,710</b>	<b>3,941,370</b>	<b>1,702,635</b>	<b>3,246</b>	<b>8,992,961</b>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2004

	Water	Sewer	Stormwater	Non-major Enterprise	Total
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers	\$ 490,040	651,031	88,525	-	1,229,596
Cash Payments to Employees for Services and Benefits	(191,013)	(291,563)	(36,327)	-	(518,903)
Cash Payments to Suppliers for Goods and Services	(150,155)	(143,489)	(36,394)	(6,892)	(336,930)
<b>Net Cash Provided(Used) by Operating Activities</b>	<b>148,872</b>	<b>215,979</b>	<b>15,804</b>	<b>(6,892)</b>	<b>373,763</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Grant Revenue	-	-	24,659	-	24,659
Other Non-operating expenses	(2,786)	(5,415)	(377)	-	(8,578)
Transfers-In	9,450	16,751	-	-	26,201
Transfers-Out	(2,600)	-	(16,381)	-	(18,981)
<b>Net Cash Provided by Noncapital Financing Activities:</b>	<b>4,064</b>	<b>11,336</b>	<b>7,901</b>	<b>-</b>	<b>23,301</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition of Capital Assets	(18,946)	(33,265)	(49,001)	-	(101,212)
Proceeds from Sale of Assets	-	412	-	-	412
Proceeds from Sale of Notes	354,496	-	100,000	-	454,496
Principal paid on capital leases	-	(33,175)	-	-	(33,175)
Principal Paid on Bonds	(18,900)	(41,850)	-	-	(60,750)
Principal Paid on Notes	(390,297)	(4,301)	-	-	(394,598)
Interest expense	(7,213)	(6,576)	(842)	-	(14,631)
<b>Net Cash Provided(Used) by Capital and Related Financing Activities</b>	<b>(80,860)</b>	<b>(118,755)</b>	<b>50,157</b>	<b>-</b>	<b>(149,458)</b>
<b>Cash Flows from Investing Activities:</b>					
Interest	2,426	2,959	575	39	5,999
<b>Net Cash Provided by Investing Activities</b>	<b>2,426</b>	<b>2,959</b>	<b>575</b>	<b>39</b>	<b>5,999</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>74,502</b>	<b>111,519</b>	<b>74,437</b>	<b>(6,853)</b>	<b>253,605</b>
Cash and Cash Equivalents Beginning of Year	294,551	348,400	50,761	10,736	704,448
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 369,053</b>	<b>459,919</b>	<b>125,198</b>	<b>3,883</b>	<b>958,053</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ 37,231	88,246	(37,141)	(7,484)	80,852
<b>Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by Operating Activities:</b>					
Depreciation	118,900	142,822	56,852	-	318,574
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	(4,461)	(3,641)	(343)	-	(8,445)
(Increase) Decrease in Supplies Inventory	(199)	-	-	-	(199)
(Increase) Decrease in Prepaid Items	(1,245)	(409)	(39)	-	(1,693)
Increase (Decrease) in Accounts Payable	983	(2,283)	452	(45)	(893)
Increase (Decrease) in Accrued Salaries Payable	2,462	1,644	(672)	-	3,434
Increase (Decrease) in Intergovernmental Payable	(974)	(1,752)	(1,780)	637	(3,869)
Increase (Decrease) in Compensated Absences	(3,825)	(8,648)	(1,525)	-	(13,998)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 148,872</b>	<b>215,979</b>	<b>15,804</b>	<b>(6,892)</b>	<b>373,763</b>

**Noncash Capital Financing Activities:**

Developers donated water, sewer and stormwater lines with a fair market values of \$128,730, \$125,904 and \$114,563, respectively.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 1- REPORTING ENTITY

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

The municipal government provided by the charter is known as a Mayor-Council-Manager form of government. Legislative power is vested in a seven-member council, each elected to four year terms. The council appoints the City Manager. The City Manager is the chief executive officer and the head of the administrative agencies of the City. 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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its enterprise funds. 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 assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

The statement of net assets 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.

The statement of net assets 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 category of funds: governmental, proprietary and fiduciary. The City has no fiduciary funds.

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 and liabilities 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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Police Fund – This fund accounts for all transactions relating to the provision of police and public safety services provided through a special property tax levy.

Fire and EMS Fund – This fund accounts for all transactions relating to the provision of fire protection and emergency services provided through a special property tax levy.

Street Light Fund – This fund accounts for all transactions relating to the provision of street lighting of roadways within the City financed through special assessments to property owners.

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

Street Levy - This fund accounts for all transactions relating to the provision of roadway improvements through a special property tax levy.

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

Proprietary Fund Types

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

Storm Water Fund - This fund accounts for the collection of storm water runoff from residents and commercial and industrial users with in the City.

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

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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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 and all liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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 a reconciliation 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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, the recording of deferred revenue 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, are 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, 2004

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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 property tax, grants, entitlements and donations. On an accrual basis, 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: state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), fines and forfeitures, and investment earnings.

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance 2005 operations, have been recorded as deferred revenues. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2004. 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, 2004.

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 2004 amounted to \$9,543.

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. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available resources even though it is a component of net current assets.

Internal Balances

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

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 assets 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 assets.

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 expended. Interest incurred during the construction of capital assets is also capitalized.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings	45 years
Land Improvements	45 years
Equipment	6 - 15 years
Vehicles	6 years
Infrastructure	45 years

Compensated Absences

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

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

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

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

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, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, compensated absences 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 from current-available resources. Long-term loans are recognized as a liability on the fund financial statements when due.

Reservations and Designation of Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for supplies inventory.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their 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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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, storm water and pool programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

Interfund Activity

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

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Budgetary Process

All funds, except for agency funds, are legally required to be budgeted and appropriated. 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 level within each fund. Council must approve any revisions that alter total by object within each fund.

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.

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 3 - BUDGET TO GAAP RECONCILIATION (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (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).

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	\$ 18,527	\$ (19,322)	\$ (27,721)	\$ 33,553	\$ 1,931
Revenue Accruals	15,968	39,538	13,265	-	(1,291)
Expenditure Accruals	(5,539)	(5,966)	(3,595)	496	990
Principal Payments	(278,849)	-	-	-	-
Note Proceeds	261,300	-	-	-	-
Budget Basis	\$ 11,407	\$ 14,250	\$ (18,051)	\$ 34,049	\$ 1,630

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For 2004, the City has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures” and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”.

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 4 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE  
 (continued)

The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to the new reporting model.

Restatement of Fund Balances

The City reclassified certain funds due to the implementation of GASB 34. Certain trust funds that provide support to City activities that were previously reported as expendable trust funds. The expendable trust fund was reclassified as a special revenue fund.

These restatements, as well as corrections of errors in the capital assets previously reported, had the following effect on fund balance of major and nonmajor funds of the City. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Police</u>	<u>Fire/EMS</u>	<u>Street Light</u>	<u>Refuse</u>	<u>Street Levy</u>	<u>Non-Major</u>	<u>Total</u>
Fund Balance - December 31, 2003	\$ 34,628	\$ 11,295	\$ 77,702	\$ 17,491	\$ 22,512	\$ (100,835)	\$ 190,252	\$ 253,045
Reclassification of funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,563</u>	<u>22,563</u>
Adjusted fund balance								
December 31, 2003	<u>\$ 34,628</u>	<u>\$ 11,295</u>	<u>\$ 77,702</u>	<u>\$ 17,491</u>	<u>\$ 22,512</u>	<u>\$ (100,835)</u>	<u>\$ 212,815</u>	275,608
GASB 34 Adjustments:								
Capital assets, net								1,986,798
Long-term compensated absences								(52,089)
Long-term liabilities								(154,807)
Long-term deferred assets								<u>52,257</u>
Governmental Activities Net Assets, December 31, 2003								<u>\$ 2,107,767</u>

There were adjustments to capital assets estimated useful lives and capitalization thresholds in the enterprise funds which had the following effect on net assets:

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Non-Major</u>	<u>Total</u>
Retained Earnings, December 31, 2003	\$ 3,227,310	\$ 3,791,885	\$ 1,645,263	\$ 10,691	\$ 8,675,149
Capital asset adjustments	(1,752)	(75,467)	(26,646)	-	(103,865)
Miscellaneous adjustments	<u>(2,600)</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Net Assets, December 31, 2003	<u>\$ 3,222,958</u>	<u>\$ 3,719,018</u>	<u>\$ 1,618,617</u>	<u>\$ 10,691</u>	<u>\$ 8,571,284</u>

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 5 - DEPOSITS AND INVESTMENTS

Monies of substantially all funds of the City are maintained or invested in a common group of bank accounts and in short-term investments. This is done in order to maximize the rate of interest that can be earned on invested funds. Interest income is distributed to the funds according to charter and statutory requirements.

The investment and deposit of City monies are governed by the provisions of the Charter and Codified Ordinances of the City and the Ohio Revised Code. In accordance with these provisions, only financial institutions located in Ohio and primary security dealers are eligible to hold public deposits. The provisions also permit the City to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The City may also enter into repurchase agreements with any eligible depository for a period not exceeding five years.

Public depositories must give security for all public funds on deposit. According to the City's Deposit and Investment Policy, these institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities the face value of which is at least 105 percent of the total value of public monies on deposit at the institution.

Deposits

At year end, the carrying amount of the City's deposits were \$396,027 and the related bank balance was \$433,027. Of the bank balance, \$100,000 was covered by federal deposit insurance and the remaining amounts were uninsured and uncollateralized as defined by GASB Statement No. 3. The securities held as collateral by the financial institutions or their trust departments or agents were held in an investments and securities pool but not in the financial institution's name. As authorized by state statute, the pledging bank has established an investment and securities pool to collateralize all public deposits.

Investments

GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that the City's investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department but not in the City's name. The investment with the Ohio State Treasurer is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. As a result, the City has no investments that meet the definition of category 1, 2 or 3 as defined in GASB No. 3.

At December 31, 2004, the carrying value of the City's accounts with STAR Ohio was \$1,172,382.

The classification of cash and cash equivalents, and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A reconciliation between classifications of cash and investments on the financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
Financial Statements	\$ 1,568,409	\$ -
Investments:		
STAR Ohio	(1,172,382)	1,172,382
Note Disclosure	\$ 396,027	\$ 1,172,382

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2002. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Union. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2004, was \$16.03 per \$1,000 of assessed value. Real property owner's tax bills are further reduced by homestead and roll back deductions, when applicable.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 6 - PROPERTY TAXES

The assessed value of real and tangible personal property upon which 2004 property tax receipts were based are as follows

Real property:	
Residential/agricultural	\$ 78,198,322
Commercial/industrial	3,104,614
Tangible personal property:	
Public utilities	1,496,452
General	<u>2,710,257</u>
Total valuation	<u>\$ 85,509,645</u>

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2004. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2004 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2004, consisted of taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, special assessments, interest on investments and utility accounts. All receivables are considered fully collectible. Utility Accounts Receivable at December 31, 2004 was \$85,465.

A summary of the intergovernmental receivables follows:

<u>Governmental Activities:</u>	
State Shared Taxes	\$ 130,856
Local Government Assistance	94,760
Property Tax Homestead/Rollback	92,434
Other Receivables	<u>15,536</u>
Total Intergovernmental Receivable	<u>\$ 333,586</u>

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

	Restated Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
<b><u>Governmental Activities:</u></b>				
Non-depreciable capital assets				
Land	\$ 561,586	\$ 20,220	\$ -	\$ 581,806
Depreciable capital assets				
Buildings	919,919	-	-	919,919
Equipment	1,411,168	14,487	(2,528)	1,423,127
Vehicles	137,385	20,040	-	157,425
Infrastructure	-	282,289	-	282,289
Total depreciable capital assets	2,468,472	316,816	(2,528)	2,782,760
Less: accumulated depreciation				
Buildings	(156,245)	(20,462)	-	(176,707)
Equipment	(805,994)	(135,491)	1,264	(940,221)
Vehicles	(81,021)	(14,212)	-	(95,233)
Infrastructure	-	(2,612)	-	(2,612)
Total accumulated depreciation	(1,043,260)	(172,777) *	1,264	(1,214,773)
Depreciable capital assets, net	1,425,212	144,039	(1,264)	1,567,987
Governmental Activities Capital Assets, Net	<u>\$ 1,986,798</u>	<u>\$ 164,259</u>	<u>\$ (1,264)</u>	<u>\$ 2,149,793</u>
<b><u>Business Type Activities:</u></b>				
Non-depreciable capital assets				
Construction in Progress	\$ -	\$ 33,891	\$ -	\$ 33,891
Depreciable capital assets				
Buildings	3,160,676	-	-	3,160,676
Equipment	658,549	19,006	(52,798)	624,757
Infrastructure	9,383,863	386,950	-	9,770,813
Vehicles	-	30,561	-	30,561
Total depreciable capital assets	13,203,088	436,517	(52,798)	13,586,807
Less: accumulated depreciation				
Buildings	(1,807,771)	(61,237)	-	(1,869,008)
Equipment	(310,380)	(39,044)	10,789	(338,635)
Infrastructure	(2,615,656)	(213,624)	-	(2,829,280)
Vehicles	-	(4,669)	-	(4,669)
Total accumulated depreciation	(4,733,807)	(318,574)	10,789	(5,041,592)
Depreciable capital assets, net	8,469,281	117,943	(42,009)	8,545,215
Business-Type Activities Capital Assets, Net	<u>\$ 8,469,281</u>	<u>\$ 151,834</u>	<u>\$ (42,009)</u>	<u>\$ 8,579,106</u>

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 8 - CAPITAL ASSETS (continued)

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

General Government	\$ 99,606
Public Safety	70,163
Transportation	<u>3,008</u>
Total Depreciation Expense	<u>\$ 172,777</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Both the Police and Firemen's Disability Pension Fund and the Public Employees Retirement System are reported using GASB Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers". Substantially all City employees are covered by one of two pension plans, namely, the Ohio Police and Fire Pension Fund (OP&F) or the Ohio Public Employees Retirement System (OPERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CO). The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions. Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan (CO) is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). The 2004 member contribution rates were 8.5% of their annual covered salary. The 2004 employer contribution rate for local government employer units was 13.55% of covered payroll. The City's contributions to the plan for the years ending December 31, 2004, 2003, and 2002 were \$142,769 \$126,745 and \$122,737, respectively. The amount paid by the City includes both the employer's contribution as well as the employee's contribution (pick-up) for certain employees. The unpaid

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

contribution for 2004 was \$34,007 and is recorded as a liability within the respective funds and the statement of net assets.

Ohio Police and Fire Pension Fund

The City of Union contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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. The Ohio Police and Fire Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The City contributions to the plan for the years ended December 31, 2004, 2003, and 2002 were \$47,614, \$57,213 and \$56,972. The City's contributions include a full pick-up on the police chief. The unpaid contribution for 2004 was \$12,674 and is recorded as a liability in the respective funds and statement of net assets.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CO). OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans, however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55%; 4.00% was the portion that was used to fund health care for the year. The portion of the City's contributions for 2004 used to fund post-employment benefits was \$42,145.

The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.

Actuarial Review: The assumptions and calculations below were based on the OPERS' latest actuarial review performed as of December 31, 2003.

Funding Method: An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Assets Valuation Method: All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return: The investment assumption rate for 2003 was 8.00%

Active Employee Total Payroll: An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health Care: Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. At December 31, 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. \$10.5 billion represents the actuarial value of the Retirement System's net assets available for OPEBs at December 31, 2003. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 29, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The Ohio Revised Code provides the authority allowing the System's board of trustees to provide health care coverage and states that health care cost paid from the System shall be included in the employer's contribution rate. The total police employer contribution is 19.5% of covered payroll and the firefighter employer contribution rate is 24.0% of covered payroll.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Health care funding and accounting is on a pay as you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2003 and 2004. In addition since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2003, the date of the last actuarial valuation available, was 13,662 for police and 10,474 for firefighters. The City's portion of current year contributions to fund post retirement benefits was \$18,903. The fund's total health care expenses for the year ending December 31, 2003, the date of the last actuarial valuation available, was \$150,853,148, which was net of member contributions of \$17,207,506.

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 \$36,204 at December 31, 2004.

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, 2004 was \$48,567.

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 2004 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 each coverage at 100 percent. The type of coverage and deductible for each is presented in the table below:

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

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NOTE 12 - RISK MANAGEMENT (continued)

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
General Liability	\$ 3,000,000	no deductible
Police Liability	3,000,000	\$ 2,500
Errors and Omissions	3,000,000	2,500
Automobile	3,000,000	1,000
Property Insurance	3,742,627	1,000
Inland Marine	819,869	250
Fire Vehicle	495,000	1,000
Crime	10,000	100
EDP	25,000	250

Settled claims have not exceeded commercial coverage 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.

The City has elected to provide employee medical insurance benefits through John Alden Life Insurance Company. The City covers the employee's premiums and deductibles by budgeting \$76,600 each year for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$5,000 after the employee pays the first \$100. If the funds budgeted for annual health care costs are not depleted, the excess reverts to the funds from which the original contribution came from.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

The City entered into a lease agreement in 1999 for a VacCon Sewer Cleaner and in 2001 for a Kut-Kwick Mower. The leases meet the criteria of capital leases as defined by statement of financial accounting standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service in the enterprise funds. These expenditures are reflected as contractual service expenses on a budgetary basis. The assets have been capitalized as equipment in the Sewer Fund for \$186,117. The city has borrowed \$150,000 and \$27,717 as a lease purchase and a liability has been recorded in the sewer fund. Principal payments in 2004 for The VacCon and Kut Kwick were \$33,175.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 13 - CAPITALIZED LEASES (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payments as of December 31, 2004.

Year ending December 31,	Capital Lease Obligation
2005	\$ 6,355
2006	<u>6,355</u>
Total minimum lease payments	12,710
Less: Amount representing interest	<u>(846)</u>
 Minimum lease payments	 <u>\$ 11,864</u>

NOTE 14 - SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2004 follows:

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004
Bond Anticipation Notes:				
Governmental activities:				
St. Rt. 48 reconstruction, 1.79%	\$ 132,600	119,500	(132,600)	\$ 119,500
Martindale Road, 2.47%	41,100	31,900	(41,100)	31,900
City Hall renovation, 2.47%	<u>168,102</u>	<u>151,404</u>	<u>(168,102)</u>	<u>151,404</u>
Total governmental activities	<u>341,802</u>	<u>302,804</u>	<u>(341,802)</u>	<u>302,804</u>
Business-type activities:				
Well #4, 2.47%	184,000	170,200	(184,000)	170,200
St. Rt. 48 water line, 2.47%	124,000	106,300	(124,000)	106,300
Merrymaid storm culvert, 2.47%	-	100,000	-	100,000
City Hall renovation, 2.47%	<u>86,598</u>	<u>77,996</u>	<u>(86,598)</u>	<u>77,996</u>
Total business-type activities	<u>394,598</u>	<u>454,496</u>	<u>(394,598)</u>	<u>454,496</u>
 Total bond anticipation notes	 <u>\$ 736,400</u>	 <u>757,300</u>	 <u>(736,400)</u>	 <u>\$ 757,300</u>

The City classifies these notes as short-term because it is the City's plan to renew these notes each year and to pay off a portion of the principal each year.

The short term notes were issued for construction costs associated with the repair and replacement of water, sewer and storm sewer lines, renovation of the municipal building and the purchase of property for future expansion of the fire department.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 15 - LONG-TERM OBLIGATIONS**

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

	Balance 12/31/2003	Additions	Deletions	Balance 12/31/2004	Amount Due In One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 52,089	\$ -	\$ (9,154)	\$ 42,935	\$ -
Intergovernmental payable	27,947	-	(27,947)	-	-
General obligation bonds	<u>126,860</u>	<u>-</u>	<u>(74,250)</u>	<u>52,610</u>	<u>52,610</u>
Total governmental activities	<u>\$ 206,896</u>	<u>\$ -</u>	<u>\$ (111,351)</u>	<u>\$ 95,545</u>	<u>\$ 52,610</u>
<b>Business-type Activities:</b>					
Compensated absences	\$ 55,834	\$ -	\$ (13,998)	\$ 41,836	\$ -
General obligation bonds	153,140	-	(60,750)	92,390	92,390
Capital lease obligation	<u>45,039</u>	<u>-</u>	<u>(33,175)</u>	<u>11,864</u>	<u>5,794</u>
Total business-type activities	<u>\$ 254,013</u>	<u>\$ -</u>	<u>\$ (107,923)</u>	<u>\$ 146,090</u>	<u>\$ 98,184</u>

As of December 31, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,076,213.

In 1999, the City issued \$850,000 in general obligation bonds to provide financing for various roadway and utility projects. These bonds have interest rates ranging from 3.25 percent to 4.35 percent over the term of the bonds. The final principal payment is scheduled for December 31, 2005. Repayment of these bonds is provided from the Street and Street Levy governmental funds and from the Water, Sewer and Storm Water enterprise funds, the funds that received the proceeds of the bonds.

Compensated absences are paid from the fund in which the employee's payroll is charged.

Principal and interest requirement to retire general obligation bonds outstanding at December 31, 2004 are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	\$ <u>52,610</u>	\$ <u>2,290</u>	\$ <u>92,390</u>	\$ <u>4,018</u>
Total	<u>\$ 52,610</u>	<u>\$ 2,290</u>	<u>\$ 92,390</u>	<u>\$ 4,018</u>

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 16 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2004, consisted of the following:

<u>Transfer From:</u>	Transfer To:				<u>Total</u>
	<u>Fire/EMS</u>	<u>Water</u>	<u>Sewer</u>	<u>Non-Major Governmental</u>	
General	\$ 34,000	\$ -	\$ -	\$ 49,000	\$ 83,000
Police	-	-	-	35,000	35,000
Street Levy	-	-	2,310	-	2,310
Water	-	-	2,600	-	2,600
Stormwater	-	9,450	6,931	-	16,381
Non-Major Governmental	-	-	4,910	-	4,910
Total	<u>\$ 34,000</u>	<u>\$ 9,450</u>	<u>\$ 16,751</u>	<u>\$ 84,000</u>	<u>\$ 144,201</u>

Transfers were made during the year to provide additional operational funding for various funds from unrestricted general fund revenues, to provide funding for the repayment of police pension debt which is recorded in a separate fund from the police operating fund, and to reclassify resources from various funds which share the use of various capital assets to the fund in which the debt for the those capital assets is recorded.

NOTE 17 - FEDERAL AND STATE GRANTS

For the period January 1, 2004 to December 31, 2004 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 18 - DEFICIT FUND EQUITY

The Police and Street Levy funds reported deficit fund equity of \$8,027 and \$81,452, respectively. These deficits were the result of the recording of short-term notes payable within those funds. These notes are being rolled over each year with a portion of principal paid. The General fund provides operating transfers when cash is required, not when accruals occur.

NOTE 19 – SUBSEQUENT EVENTS

Subsequent to December 31, 2004, the City entered into a capital lease agreement to provide financing for a new bucket truck and ambulance. The total principal payments associated with this agreement are \$249,718 to be paid over a five-year period.



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 28, 2007, wherein we noted the City implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated August 28, 2007.

This report is intended for the information and use of the members of City Council, and the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script: Clark, Schaefer, Hackett & Co.

Springfield, Ohio  
August 28, 2007



Mary Taylor, CPA  
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  
MAY 13, 2008**