

City of Union, Ohio

Basic Financial Statements

December 31, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

Members of City 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, 2008 through December 31, 2008. 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

August 4, 2009

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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 aggregate remaining fund information the of City of Union, Ohio (the City) as of and for the year ended December 31, 2008, 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 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 the 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 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

2525 north limestone street, ste. 103
springfield, oh 45503

www.cshco.com
p. 937.399.2000
f. 937.399.5433

The Management's Discussion and Analysis on pages 3 through 11 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 30, 2009

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

The discussion and analysis of the City of Union's financial performance provides an overview of the City's financial activities for the year ended December 31, 2008. 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 2008 are as follows:

- Governmental activities reported a positive net change in net assets of \$964,449 a 20.3% increase. The increase is primarily due to the capitalization of capital outlays as well as an increase in income tax revenues in 2008, which was the first full year of collection.
- Business-type activities reported a positive net change in net assets of \$76,824, a 0.8% increase. Fiscal year 2008 experienced a greater increase in net assets due to receiving grant funds for infrastructure improvements that were capitalized.
- The General Fund reported a fund balance of \$634,681 which represents an increase of \$323,215 or 103.8%. The City began collecting income tax revenue and received a full year of revenue. Expenditures were increased but still conservative with the increase in revenue.
- Actual budget basis revenues exceeded actual budget basis expenditures in the General Fund by \$267,049 which increases the unencumbered cash balance to \$615,399.

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.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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 2008?" 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 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

The analysis of the City's major funds begins after the Statement of Activities. Fund financial statements provide the detailed information about the General, Police, Fire/EMS, Street Light, Refuse, Street Levy and Grant 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.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

The City as a Whole

The Statement of Net 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, 2008 as compared to December 31, 2007.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

TABLE 1
Statement of Net Assets, December 31

	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 4,581,676	880,999	5,462,675	4,275,281	1,314,654	5,589,935
Capital Assets	<u>4,937,420</u>	<u>9,760,391</u>	<u>14,697,811</u>	<u>4,375,723</u>	<u>9,641,720</u>	<u>14,017,443</u>
Total Assets	<u>9,519,096</u>	<u>10,641,390</u>	<u>20,160,486</u>	<u>8,651,004</u>	<u>10,956,374</u>	<u>19,607,378</u>
Liabilities:						
Current and Other Liabilities	2,237,738	33,399	2,271,137	2,216,528	506,100	2,722,628
Long-term Liabilities	<u>1,574,520</u>	<u>894,237</u>	<u>2,468,757</u>	<u>1,692,087</u>	<u>813,344</u>	<u>2,505,431</u>
Total Liabilities	<u>3,812,258</u>	<u>927,636</u>	<u>4,739,894</u>	<u>3,908,615</u>	<u>1,319,444</u>	<u>5,228,059</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,428,036	8,932,292	12,360,328	2,741,467	8,888,418	11,629,885
Restricted	1,459,682	-	1,459,682	831,464	-	831,464
Unrestricted	<u>819,120</u>	<u>781,462</u>	<u>1,600,582</u>	<u>1,169,458</u>	<u>748,512</u>	<u>1,917,970</u>
Total Net Assets	<u>\$ 5,706,838</u>	<u>9,713,754</u>	<u>15,420,592</u>	<u>4,742,389</u>	<u>9,636,930</u>	<u>14,379,319</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2008 the City's net assets were \$15.4 million. Of this amount, \$12.4 million was invested in capital assets, net of related debt.

CITY OF UNION
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Management's Discussion and Analysis
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(Unaudited)

The following table shows the changes in net assets for the year ended December 31, 2007 as compared to fiscal year ended December 31, 2008.

TABLE 2
Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,192,031	1,066,613	1,263,479	1,298,289	2,455,510	2,364,902
Operating Grants and Contributions	624,847	607,309	-	-	624,847	607,309
Capital Grants and Contributions	531,969	111,269	173,594	45,209	705,563	156,478
General Revenues:						
Income Taxes	628,187	333,661	-	-	628,187	333,661
Property Taxes	1,440,186	1,637,363	-	-	1,440,186	1,637,363
Grants and Contributions not Restricted	190,035	136,186	-	-	190,035	136,186
Investment Income	45,626	88,938	18,185	27,931	63,811	116,869
Other Revenue	8,247	7,549	33,146	19,255	41,393	26,804
Gain (Loss) on Sale of Assets	2,585	-	-	-	2,585	-
Transfers	9,862	(56,100)	(9,862)	56,100	-	-
Total Revenue	<u>4,673,575</u>	<u>3,932,788</u>	<u>1,478,542</u>	<u>1,446,784</u>	<u>6,152,117</u>	<u>5,379,572</u>
EXPENSES:						
General Government	846,316	567,037	-	-	846,316	567,037
Security of Persons and Property	1,591,648	1,612,357	-	-	1,591,648	1,612,357
Public Health Services	13,551	15,461	-	-	13,551	15,461
Transportation	684,346	420,456	-	-	684,346	420,456
Community Environment	400,281	383,809	-	-	400,281	383,809
Leisure Time Activities	102,527	74,514	-	-	102,527	74,514
Water	-	-	580,431	561,712	580,431	561,712
Sewer	-	-	678,620	676,635	678,620	676,635
Stormwater	-	-	142,667	130,979	142,667	130,979
Interest Expense	70,457	79,372	-	-	70,457	79,372
Total Expenses	<u>3,709,126</u>	<u>3,153,006</u>	<u>1,401,718</u>	<u>1,369,326</u>	<u>5,110,844</u>	<u>4,522,332</u>
Change in Net Assets	964,449	779,782	76,824	77,458	1,041,273	857,240
Net Assets, Beginning of Year	<u>4,742,389</u>	<u>3,962,607</u>	<u>9,636,930</u>	<u>9,559,472</u>	<u>14,379,319</u>	<u>13,522,079</u>
Net Assets, End of Year	<u>\$ 5,706,838</u>	<u>4,742,389</u>	<u>9,713,754</u>	<u>9,636,930</u>	<u>15,420,592</u>	<u>14,379,319</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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, the Public Safety Division receives property tax revenues to cover net expenses of \$799,898. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$846,316.

Business-Type Activities

Overall, the City's business-type activities generated \$1.3 million in operating revenues; however, the City still experienced an operating loss of \$85,094. Capital grants and interest income of \$191,779 were used to offset the operating loss. Fees for usage are increased as necessary to cover the costs of these essential services.

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

TABLE 3
Total and Net Cost of Program Services

	<u>2008</u>		<u>2007</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 846,316	(192,623)	567,037	(483,875)
Security of Persons and Property	1,591,648	(799,898)	1,612,357	(863,486)
Public Health Services	13,551	(6,834)	15,461	(6,006)
Transportation	684,346	(242,667)	420,456	102,233
Community Environment	400,281	24,495	383,809	8,819
Leisure Time Activities	102,527	(72,295)	74,514	(46,128)
Interest Expense	<u>70,457</u>	<u>(70,457)</u>	<u>79,372</u>	<u>(79,372)</u>
Total Expenses	\$ <u>3,709,126</u>	<u>(1,360,279)</u>	<u>3,153,006</u>	<u>(1,367,815)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 580,431	(121,553)	561,712	(65,018)
Sewer	678,620	21,031	676,635	28,047
Stormwater	<u>142,667</u>	<u>135,877</u>	<u>130,979</u>	<u>11,143</u>
Total Expenses	\$ <u>1,401,718</u>	<u>35,355</u>	<u>1,369,326</u>	<u>(25,828)</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
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(Unaudited)

THE CITY'S FUNDS

The balance sheet for the City's major governmental funds is reflected on pages 14 – 15. These funds are reported using a modified accrual basis of accounting. Total governmental fund balances are \$1,837,598, of which \$1,754,694 is unreserved. Revenues and expenditures are reflected on pages 16 – 17. The net change in fund balances is an increase of \$382,685.

The General Fund balance increased by \$323,215, caused by the City collecting income tax revenue for a full year. The City levied an income tax in January 2007 and began collecting these revenues in July 2007.

Fund balance in the Police Fund decreased slightly by \$275 to \$47,995. This decrease is due mainly to the Police Fund's share of the general obligation bonds debt service. The recently passed levy will help cover these costs.

The Fire/EMS fund reported a fund balance increase of \$6,787. The City has maintained the costs of this fund since a large portion of the debt service on general obligations bonds are paid from the Fire/EMS fund.

Fund balance in the Street Light fund increased by \$87,651 to \$354,987. This is due to City collecting special assessment revenue in excess of necessary expenditures.

The Refuse fund experienced a decrease of \$1,328 in fund balance. This decrease is significantly less than the prior year and indicates the City's diligence in keeping costs down while maintaining good service.

The Street Levy fund reported a decrease of \$4,197. Revenues have decreased in this fund while debt service expenditures have increased.

The Grants fund reported an increase of \$630. This fund is used to account for "Clean Ohio" monies used for the Stillwater wetland preservation project. Land was purchased in 2008.

Other Governmental funds showed a decrease during 2008 of \$29,798 or 7.7%. This decrease was due mainly to increased expenditures related to park improvements.

The proprietary funds showed a net operating loss of \$85,094. This decrease is primarily due to an increase in operating expenditures with no corresponding increase in operating revenues.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$1,258,743 as compared to the final budget estimate of \$830,769 and the original budget estimate of \$570,520. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional tax revenue. This is the first full year of receiving income taxes and the City estimated conservatively without any historical trends.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
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(Unaudited)

Total actual expenditures on the budget basis were \$900,752; \$357,991 below revenues. Again, this is due to the City using conservative estimates of income tax revenue. Actual expenditures were \$28,729 below final budget estimates.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2008, the City has invested in land, construction in progress, buildings and equipment with amounts totaling \$4.9 million and \$9.8 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2008 balances compared to December 31, 2007 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 8.

TABLE 4
Capital Assets, December 31

	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,275,566	-	1,275,566	669,547	-	669,547
Construction in Progress	-	116,719	116,719	-	610,319	610,319
Infrastructure	831,484	11,957,462	12,788,946	831,484	11,014,126	11,845,610
Buildings	2,155,149	3,170,236	5,325,385	2,155,149	3,170,236	5,325,385
Equipment	1,984,459	930,148	2,914,607	1,851,027	875,223	2,726,250
Vehicles	798,240	72,320	870,560	710,761	72,320	783,081
Less: Accumulated						-
Depreciation	(2,107,478)	(6,486,494)	(8,593,972)	(1,842,245)	(6,100,504)	(7,942,749)
Totals	\$ <u>4,937,420</u>	<u>9,760,391</u>	<u>14,697,811</u>	<u>4,375,723</u>	<u>9,641,720</u>	<u>14,017,443</u>

Overall, capital assets increased approximately \$680,000 from December 31, 2007. The increase in capital assets related primarily to the purchase of land used in the Stillwater wetland preservation project.

DEBT ADMINISTRATION

In 2007, the City issued general obligation bonds to refinance short-term bond anticipation notes that were issued in 2006 for the construction costs associated with the repair and replacement of water and sewer lines, renovation of the municipal building and the expansion of the fire station. The City also entered into a loan agreement with the Ohio Public Works Commission (OPWC) for the Phillipsburg-Union Road Sanitary Sewer project and the Rinehart Road Sanitary Pump Station Elimination project. Additional funds were received in 2008 from OPWC to complete both projects.

The City also entered into a lease agreement during 2007 to purchase an off road utility truck. During 2006 the City entered into two capital leases for the purchase of a bucket truck and an ambulance.

CITY OF UNION
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(Unaudited)

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, 2008 the City's legal debt margin was \$9,063,157

See Note 14 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, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,785,130	788,204	2,573,334
Receivables (net of allowances for uncollectibles):			
Taxes	1,702,483	-	1,702,483
Accounts	55,804	87,024	142,828
Special Assessments	629,538	-	629,538
Due from Other Governments	374,932	-	374,932
Prepaid Items	10,088	2,232	12,320
Materials and Supplies Inventory	23,701	3,539	27,240
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,275,566	-	1,275,566
Construction in Progress	-	116,719	116,719
Capital assets, net of accumulated depreciation	<u>3,661,854</u>	<u>9,643,672</u>	<u>13,305,526</u>
Total Assets	<u>9,519,096</u>	<u>10,641,390</u>	<u>20,160,486</u>
LIABILITIES:			
Accounts Payable	44,185	8,144	52,329
Accrued Wages and Benefits	37,912	12,706	50,618
Due to Other Governments	48,586	11,594	60,180
Accrued Interest Payable	5,165	955	6,120
Unearned Revenue	2,101,890	-	2,101,890
Noncurrent Liabilities:			
Due Within One Year	158,788	74,447	233,235
Due In More Than One Year	<u>1,415,732</u>	<u>819,790</u>	<u>2,235,522</u>
Total Liabilities	<u>3,812,258</u>	<u>927,636</u>	<u>4,739,894</u>
NET ASSETS:			
Invested in capital assets, net of related debt	3,428,036	8,932,292	12,360,328
Restricted for:			
Public Safety	286,049	-	286,049
Transportation	452,996	-	452,996
Capital Projects	285,004	-	285,004
Other Purposes	435,633	-	435,633
Unrestricted	<u>819,120</u>	<u>781,462</u>	<u>1,600,582</u>
Total Net Assets	<u>\$ 5,706,838</u>	<u>9,713,754</u>	<u>15,420,592</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2008

Functions/Programs:	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
Governmental Activities:							
Security of Persons and Property	\$ 1,591,648	608,582	183,168	-	(799,898)		(799,898)
Public Health Services	13,551	6,717	-	-	(6,834)		(6,834)
Leisure Time Activities	102,527	30,232	-	-	(72,295)		(72,295)
Community Environment	400,281	424,776	-	-	24,495		24,495
Transportation	684,346	-	441,679	-	(242,667)		(242,667)
General Government	846,316	121,724	-	531,969	(192,623)		(192,623)
Interest and Fiscal Charges	70,457	-	-	-	(70,457)		(70,457)
Total Governmental Activities	<u>3,709,126</u>	<u>1,192,031</u>	<u>624,847</u>	<u>531,969</u>	<u>(1,360,279)</u>		<u>(1,360,279)</u>
Business-Type Activities:							
Water	580,431	458,878	-	-		(121,553)	(121,553)
Sewer	678,620	699,651	-	-		21,031	21,031
Stormwater	142,667	104,950	-	173,594		135,877	135,877
Total Business-Type Activities	<u>1,401,718</u>	<u>1,263,479</u>	<u>-</u>	<u>173,594</u>		<u>35,355</u>	<u>35,355</u>
Total	\$ <u>5,110,844</u>	<u>2,455,510</u>	<u>624,847</u>	<u>705,563</u>	<u>(1,360,279)</u>	<u>35,355</u>	<u>(1,324,924)</u>
General Revenues:							
Taxes:							
Income Taxes					628,187	-	628,187
Property Taxes Levied for General Purposes					1,440,186	-	1,440,186
Grants and Contributions not Restricted to Specific Programs					190,035	-	190,035
Investment Income					45,626	18,185	63,811
Other Revenue					8,247	33,146	41,393
Gain on Sale of Assets					2,585	-	2,585
Transfers					9,862	(9,862)	-
Total General Revenues					<u>2,324,728</u>	<u>41,469</u>	<u>2,366,197</u>
Change in Net Assets					964,449	76,824	1,041,273
Net Assets, Beginning of Year					<u>4,742,389</u>	<u>9,636,930</u>	<u>14,379,319</u>
Net Assets, End of Year					\$ <u>5,706,838</u>	<u>9,713,754</u>	<u>15,420,592</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2008

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
ASSETS:					
Cash and Cash Equivalents	\$ 562,491	84,700	160,271	358,417	49,781
Receivables					
Taxes	354,607	725,700	374,108	-	-
Accounts	16,736	-	-	-	39,068
Special Assessments	-	-	-	629,538	-
Interfund	11,825	-	-	-	-
Due from Other Governments	77,035	48,000	24,732	-	-
Prepaid Items	1,682	1,591	6,292	-	269
Materials and Supplies Inventory	4,000	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>1,028,376</u>	<u>859,991</u>	<u>565,403</u>	<u>987,955</u>	<u>89,118</u>
LIABILITIES:					
Accounts Payable	\$ 5,865	2,990	4,756	-	30,112
Accrued Wages and Benefits	6,026	23,217	147	2,243	1,180
Due to Other Governments	5,755	12,089	6,105	1,187	1,666
Interfund Payable	-	-	-	-	-
Deferred Revenue	376,049	773,700	398,840	629,538	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>393,695</u>	<u>811,996</u>	<u>409,848</u>	<u>632,968</u>	<u>32,958</u>
FUND BALANCES:					
Reserved for:					
Materials and Supplies Inventory	4,000	-	-	-	-
Prepaid Items	1,682	1,591	6,292	-	269
Encumbrances	43,414	1,449	-	813	819
Unreserved, Undesignated:					
General Fund	585,585	-	-	-	-
Special Revenue Funds	-	44,955	149,263	354,174	55,072
Capital Projects Funds	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>634,681</u>	<u>47,995</u>	<u>155,555</u>	<u>354,987</u>	<u>56,160</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ <u>1,028,376</u>	<u>859,991</u>	<u>565,403</u>	<u>987,955</u>	<u>89,118</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2008

Street Levy Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds		
231,624	-	337,846	1,785,130	Total Governmental Fund Balances	\$ 1,837,598
220,281	-	27,787	1,702,483	Amounts reported for governmental activities in the Statement of Net Assets are different because:	
-	-	-	55,804		
-	-	-	629,538		
-	-	-	11,825	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,937,420
14,561	46,497	164,107	374,932		
-	-	254	10,088	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	511,505
-	-	19,701	23,701	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
<u>466,466</u>	<u>46,497</u>	<u>549,695</u>	<u>4,593,501</u>	General Obligation Bonds	(1,389,250)
-	-	462	44,185	Capital Lease Obligation	(120,134)
993	-	4,106	37,912	Accrued Interest Payable	(5,165)
1,581	-	20,203	48,586	Compensated Absences	<u>(65,136)</u>
-	11,825	-	11,825	Net Assets of Governmental Activities	\$ <u>5,706,838</u>
234,842	34,042	166,384	2,613,395	See accompanying notes to the basic financial statements.	
<u>237,416</u>	<u>45,867</u>	<u>191,155</u>	<u>2,755,903</u>		
-	-	19,701	23,701		
-	-	254	10,088		
819	-	1,801	49,115		
-	-	-	585,585		
-	-	336,784	940,248		
228,231	630	-	228,861		
<u>229,050</u>	<u>630</u>	<u>358,540</u>	<u>1,837,598</u>		
<u>466,466</u>	<u>46,497</u>	<u>549,695</u>	<u>4,593,501</u>		

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances and
Governmental Funds
For the Year Ended December 31, 2008

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
REVENUES:					
Taxes	\$ 770,604	751,160	394,609	-	-
Intergovernmental Revenue	190,035	122,979	60,449	-	1,929
Charges for Services	125,142	-	170,163	-	424,776
Special Assessments	-	-	-	438,419	-
Fines, Licenses and Permits	32,523	-	-	-	-
Investment Income	15,176	2,323	3,703	9,032	1,333
Other Revenue	-	4,112	3,610	-	-
Total Revenues	<u>1,133,480</u>	<u>880,574</u>	<u>632,534</u>	<u>447,451</u>	<u>428,038</u>
EXPENDITURES:					
Current:					
Security of Persons and Property	-	815,447	562,668	343,566	-
Public Health Services	-	-	-	-	-
Leisure Time Activities	-	-	-	-	-
Community Environment	-	-	-	-	421,479
Transportation	-	-	-	-	-
General Government	708,623	-	-	-	-
Debt Service:					
Principal	12,500	18,650	54,411	15,772	6,194
Interest	2,450	16,752	42,668	6,074	1,693
Total Expenditures	<u>723,573</u>	<u>850,849</u>	<u>659,747</u>	<u>365,412</u>	<u>429,366</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>409,907</u>	<u>29,725</u>	<u>(27,213)</u>	<u>82,039</u>	<u>(1,328)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Assets	-	-	-	-	-
Transfers In	4,250	-	34,000	5,612	-
Transfers Out	(90,942)	(30,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(86,692)</u>	<u>(30,000)</u>	<u>34,000</u>	<u>5,612</u>	<u>-</u>
Net Change in Fund Balances	323,215	(275)	6,787	87,651	(1,328)
Fund Balance, Beginning of Year	<u>311,466</u>	<u>48,270</u>	<u>148,768</u>	<u>267,336</u>	<u>57,488</u>
Fund Balance, End of Year	\$ <u>634,681</u>	<u>47,995</u>	<u>155,555</u>	<u>354,987</u>	<u>56,160</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2008

Street Levy Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
232,565	-	29,428	2,178,366
33,843	497,927	397,420	1,304,582
-	-	30,232	750,313
-	-	-	438,419
-	-	900	33,423
6,695	-	7,364	45,626
-	-	525	8,247
<u>273,103</u>	<u>497,927</u>	<u>465,869</u>	<u>4,758,976</u>
-	-	71,751	1,793,432
-	-	13,737	13,737
-	-	102,473	102,473
-	-	-	421,479
257,815	-	390,149	647,964
-	501,239	-	1,209,862
14,550	-	2,795	124,872
4,935	-	347	74,919
<u>277,300</u>	<u>501,239</u>	<u>581,252</u>	<u>4,388,738</u>
(4,197)	(3,312)	(115,383)	370,238
-	-	2,585	2,585
-	3,942	83,000	130,804
-	-	-	(120,942)
-	3,942	85,585	12,447
(4,197)	630	(29,798)	382,685
<u>233,247</u>	<u>-</u>	<u>388,338</u>	<u>1,454,913</u>
<u>229,050</u>	<u>630</u>	<u>358,540</u>	<u>1,837,598</u>

Total Net Change in Fund Balances - Governmental Funds	\$ 382,685
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital Asset Additions	838,817
Current Year Depreciation	(277,120)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(97,848)
Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net assets.	124,872
Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated Absences	(7,305)
Accrued Interest	348
Change in Net Assets of Governmental Activities	\$ <u>964,449</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
General Fund
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 170,700	170,700	180,598	9,898
Municipal Income Taxes	100,000	354,694	584,349	229,655
Intergovernmental Revenue	210,375	210,375	340,894	130,519
Charges for Services	54,000	54,000	108,406	54,406
Fines, Licenses and Permits	34,145	30,000	32,523	2,523
Investment Income	1,300	11,000	11,973	973
Total Revenues	<u>570,520</u>	<u>830,769</u>	<u>1,258,743</u>	<u>427,974</u>
Expenditures:				
Current:				
General Government	659,820	918,781	890,052	28,729
Debt Service:				
Principal	8,250	8,250	8,250	-
Interest	2,450	2,450	2,450	-
Total Expenditures	<u>670,520</u>	<u>929,481</u>	<u>900,752</u>	<u>28,729</u>
Excess of Revenues Over (Under) Expenditures	<u>(100,000)</u>	<u>(98,712)</u>	<u>357,991</u>	<u>456,703</u>
Other Financing Sources (Uses):				
Transfers Out	(87,000)	(91,000)	(90,942)	58
Total Other Financing Sources (Uses)	<u>(87,000)</u>	<u>(91,000)</u>	<u>(90,942)</u>	<u>58</u>
Net Change in Fund Balance	(187,000)	(189,712)	267,049	456,761
Fund Balance, Beginning of Year	<u>348,350</u>	<u>348,350</u>	<u>348,350</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 161,350</u>	<u>158,638</u>	<u>615,399</u>	<u>456,761</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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 679,360	679,360	751,160	71,800
Intergovernmental Revenue	108,000	108,000	122,979	14,979
Investment Income	10,070	10,070	2,323	(7,747)
Other Revenue	4,000	4,000	4,112	112
Total Revenues	<u>801,430</u>	<u>801,430</u>	<u>880,574</u>	<u>79,144</u>
Expenditures:				
Current:				
Security of Persons and Property	791,248	833,771	834,589	(818)
Principal	24,650	18,650	18,650	-
Interest	17,402	17,402	16,752	650
Total Expenditures	<u>833,300</u>	<u>869,823</u>	<u>869,991</u>	<u>(168)</u>
Excess of Revenues Over (Under) Expenditures	<u>(31,870)</u>	<u>(68,393)</u>	<u>10,583</u>	<u>78,976</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net Change in Fund Balance	(61,870)	(98,393)	(19,417)	78,976
Fund Balance, Beginning of Year	<u>102,668</u>	<u>102,668</u>	<u>102,668</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 40,798</u>	<u>4,275</u>	<u>83,251</u>	<u>78,976</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
Fire/EMS Fund
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 362,000	362,000	394,609	32,609
Intergovernmental Revenue	55,074	55,074	60,449	5,375
Charges for Services	300,000	300,000	170,163	(129,837)
Investment Income	100,000	100,000	2,886	(97,114)
Other Revenue	67,926	67,926	3,610	(64,316)
Total Revenues	<u>885,000</u>	<u>885,000</u>	<u>631,717</u>	<u>(253,283)</u>
Expenditures:				
Current:				
Security of Persons and Property	956,346	596,061	587,388	8,673
Debt Service:				
Principal	43,756	29,600	29,600	-
Interest	59,898	40,519	40,519	-
Total Expenditures	<u>1,060,000</u>	<u>666,180</u>	<u>657,507</u>	<u>8,673</u>
Excess of Revenues Over (Under) Expenditures	<u>(175,000)</u>	<u>218,820</u>	<u>(25,790)</u>	<u>(244,610)</u>
Other Financing Sources:				
Transfers In	100,000	100,000	34,000	(66,000)
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>34,000</u>	<u>(66,000)</u>
Net Change in Fund Balance	(75,000)	318,820	8,210	(310,610)
Fund Balance, Beginning of Year	<u>140,033</u>	<u>140,033</u>	<u>140,033</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 65,033</u>	<u>458,853</u>	<u>148,243</u>	<u>(310,610)</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
Street Light Fund
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 403,500	403,500	438,419	34,919
Investment Income	9,000	9,000	9,032	32
Total Revenues	<u>412,500</u>	<u>412,500</u>	<u>447,451</u>	<u>34,951</u>
Expenditures:				
Current:				
Security of Persons and Property	648,000	648,000	358,194	289,806
Total Expenditures	<u>648,000</u>	<u>648,000</u>	<u>358,194</u>	<u>289,806</u>
Net Change in Fund Balances	(235,500)	(235,500)	89,257	324,757
Fund Balance, Beginning of Year	<u>268,347</u>	<u>268,347</u>	<u>268,347</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 32,847</u>	<u>32,847</u>	<u>357,604</u>	<u>324,757</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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental Revenue	\$ 1,000	1,000	1,929	929
Charges for Services	375,400	392,400	423,338	30,938
Investment Income	1,000	1,000	1,333	333
Total Revenues	<u>377,400</u>	<u>394,400</u>	<u>426,600</u>	<u>32,200</u>
Expenditures:				
Current:				
Community Environment	417,400	434,400	427,237	7,163
Total Expenditures	<u>417,400</u>	<u>434,400</u>	<u>427,237</u>	<u>7,163</u>
Net Change in Fund Balances	(40,000)	(40,000)	(637)	39,363
Fund Balance, Beginning of Year	<u>49,249</u>	<u>49,249</u>	<u>49,249</u>	-
Fund Balance, End of Year	<u>\$ 9,249</u>	<u>9,249</u>	<u>48,612</u>	<u>39,363</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Water	Sewer	Stormwater	Total
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 307,937	409,895	70,372	788,204
Accounts Receivable	34,762	43,343	8,919	87,024
Supplies Inventory	-	3,539	-	3,539
Prepaid Items	543	1,163	526	2,232
Total Current Assets	343,242	457,940	79,817	880,999
Non-current Assets:				
Construction in Progress	116,719	-	-	116,719
Depreciable Capital Assets, net	3,187,067	4,537,592	1,919,013	9,643,672
Total Non-current Assets	3,303,786	4,537,592	1,919,013	9,760,391
Total Assets	3,647,028	4,995,532	1,998,830	10,641,390
Liabilities:				
Current Liabilities:				
Accounts Payable	4,296	3,848	-	8,144
Accrued Salaries Payable	5,164	6,344	1,198	12,706
Accrued Interest Payable	672	-	283	955
Intergovernmental Payable	4,261	6,622	711	11,594
Compensated Absences Payable	7,697	8,466	1,037	17,200
Issue II Loans Payable	-	15,650	-	15,650
Capital Lease Payable	-	-	1,597	1,597
General Obligation Bonds Payable	35,000	-	5,000	40,000
Total Current Liabilities	57,090	40,930	9,826	107,846
Long Term Liabilities:				
Compensated Absences Payable	22,168	24,450	2,320	48,938
Issue II Loans Payable	-	574,821	-	574,821
Capital Lease Payable	-	-	5,281	5,281
General Obligation Bonds Payable	120,750	-	70,000	190,750
Total Long Term Liabilities	142,918	599,271	77,601	819,790
Total Liabilities	200,008	640,201	87,427	927,636
Net Assets:				
Invested in capital assets, net of related debt	3,148,036	3,947,121	1,837,135	8,932,292
Unrestricted	298,984	408,210	74,268	781,462
Total Fund Equity	3,447,020	4,355,331	1,911,403	9,713,754
Total Liabilities and Fund Equity	\$ 3,647,028	4,995,532	1,998,830	10,641,390

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, 2008

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 451,478	689,751	104,950	1,246,179
Tap-In Fees	7,400	9,900	-	17,300
Other Operating Revenue	25,592	7,554	-	33,146
Total Operating Revenue	484,470	707,205	104,950	1,296,625
Operating Expenses:				
Personal Services	240,691	297,885	33,505	572,081
Contractual Services	158,258	148,213	13,346	319,817
Supplies and Materials	31,859	56,882	15,090	103,831
Depreciation	137,998	171,775	76,217	385,990
Total Operating Expenses	568,806	674,755	138,158	1,381,719
Operating Income (Loss)	(84,336)	32,450	(33,208)	(85,094)
Non-Operating Revenues (Expenses):				
Interest	8,838	7,903	1,444	18,185
Grant Revenue	3,781	169,562	251	173,594
Interest and Fiscal Charges	(9,542)	(1,262)	(4,135)	(14,939)
Other Non-Operating Expenses	(2,083)	(2,603)	(374)	(5,060)
Total Non-Operating Expenses	994	173,600	(2,814)	171,780
Income (Loss) Before Operating Transfers and Capital Contributions	(83,342)	206,050	(36,022)	86,686
Transfer-in	-	-	1,938	1,938
Transfer-out	(1,347)	(9,331)	(1,122)	(11,800)
Net Income (Loss)	(84,689)	196,719	(35,206)	76,824
Net Assets at Beginning of Year	3,531,709	4,158,612	1,946,609	9,636,930
Net Assets at End of Year	\$ 3,447,020	4,355,331	1,911,403	9,713,754

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, 2008

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 494,629	710,865	104,555	1,310,049
Cash Payments to Employees for Services and Benefits	(236,988)	(291,453)	(32,855)	(561,296)
Cash Payments to Suppliers for Goods and Services	(189,919)	(206,374)	(28,388)	(424,681)
Net Cash Provided by Operating Activities	67,722	213,038	43,312	324,072
Cash Flows from Noncapital Financing Activities:				
Grant Revenue	3,781	169,562	251	173,594
Other Non-operating expenses	(2,083)	(2,603)	(374)	(5,060)
Transfers-In	-	-	1,938	1,938
Transfers-Out	(1,347)	(9,331)	(1,122)	(11,800)
Net Cash Provided by Noncapital Financing Activities:	351	157,628	693	158,672
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(128,540)	(358,577)	(17,544)	(504,661)
Proceeds from Loans	-	118,798	-	118,798
Principal Paid on Capital Leases	-	-	(1,522)	(1,522)
Principal Paid on Bonds	(34,250)	-	(5,000)	(39,250)
Principal Paid on Loans	-	(3,229)	-	(3,229)
Interest expense	(9,587)	(1,262)	(4,154)	(15,003)
Net Cash (Used) in Capital and Related Financing Activities	(172,377)	(244,270)	(28,220)	(444,867)
Cash Flows from Investing Activities:				
Interest	8,838	7,903	1,444	18,185
Net Cash Provided by Investing Activities	8,838	7,903	1,444	18,185
Net Increase (Decrease) in Cash and Cash Equivalents	(95,466)	134,299	17,229	56,062
Cash and Cash Equivalents Beginning of Year	403,403	275,596	53,143	732,142
Cash and Cash Equivalents End of Year	\$ 307,937	409,895	70,372	788,204
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>				
Operating Income (Loss)	\$ (84,336)	32,450	(33,208)	(85,094)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	137,998	171,775	76,217	385,990
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	10,159	7,214	(395)	16,978
(Increase) Decrease in Supplies Inventory	-	(3,539)	-	(3,539)
(Increase) Decrease in Prepaid Items	885	443	48	1,376
Increase (Decrease) in Accounts Payable	(431)	(1,500)	(4)	(1,935)
Increase (Decrease) in Accrued Salaries Payable	1,318	2,298	676	4,292
Increase (Decrease) in Intergovernmental Payable	(864)	535	237	(92)
Increase (Decrease) in Compensated Absences Payable	2,993	3,362	(259)	6,096
Net Cash Provided by Operating Activities	\$ 67,722	213,038	43,312	324,072

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 proprietary 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, 2008

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.

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, 2008

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 to the City.

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

Street Light Fund – This fund accounts for all transactions relating to the provision of street lighting of roadways with in the City.

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 within the city.

Grants – This fund accounts for all state and federal grants not related to business-type activities.

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.

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

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

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

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

Fiduciary Funds

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 and fiduciary 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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Unearned/Deferred Revenue

Unearned 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, 2008, but which were levied to finance 2009 operations, have been recorded as unearned revenues. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables (including special assessments) that will not be collected within the available period have been reported as deferred revenue. Unearned revenues reported on the statement of net assets, as defined above, are also reported as unearned revenues in the governmental fund financial statements.

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, 2008

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 2008. 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, 2008.

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 2008 amounted to \$45,626 and \$18,185 in the governmental funds and proprietary funds, respectively.

Supplies Inventory

Inventories reported on the government-wide and fund financial statements are presented at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. 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 expensed. Interest incurred during the construction of capital assets of the business-type activities is also capitalized.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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	5 - 15 years
Vehicles	10 years
Infrastructure	45 years

Compensated Absences

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

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

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

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

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.

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 and contractual required pension obligations that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, prepaid items and encumbrances.

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, and storm water 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, 2008

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 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 function level for all funds.

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

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

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

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, 2008

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	\$ 323,215	\$ (275)	\$ 6,787	\$ 87,651	\$ (1,328)
Revenue Accruals	125,263	-	(817)	-	(1,438)
Expenditure Accruals	(127,900)	(14,703)	5,800	8,031	33,060
Transfers	(4,250)	-	-	(5,612)	-
Encumbrances	(49,279)	(4,439)	(3,560)	(813)	(30,931)
Budget Basis	<u>\$ 267,049</u>	<u>\$ (19,417)</u>	<u>\$ 8,210</u>	<u>\$ 89,257</u>	<u>\$ (637)</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the City's deposits was \$77,932 and the bank balance was \$172,778. \$172,778 of the bank balance was covered by federal depository insurance.

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the City to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. At year end the City had investments in STAROhio of \$2,495,402. STAROhio is rated AAAm by Standard and Poor's and comprises 100% of the City's investments.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - 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 2008. 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, 2008, 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.

The assessed value of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property:	
Residential/agricultural	\$ 99,826,970
Commercial/industrial	4,190,150
Tangible personal property:	
Public utilities	1,168,460
General	<u>122,370</u>
Total valuation	<u>\$ 105,307,950</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - PROPERTY TAXES (continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2008. 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 2008 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 – INCOME TAXES

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2008, 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, 2008 was \$87,024.

A summary of intergovernmental receivables follows:

General Fund	\$	77,035
Special Revenue Funds		
Police Pension		2,013
Police		48,000
Fire/EMS		24,732
State Highway		10,338
Street Maintenance and Repair		<u>151,756</u>
Total Special Revenue Funds		<u>236,839</u>
Capital Projects Fund		
Grants		46,497
Street Levy		<u>14,561</u>
Total Capital Projects		<u>61,058</u>
Total Intergovernmental Receivable	\$	<u><u>374,932</u></u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 669,547	606,019	-	\$ 1,275,566
Total Non-depreciable capital assets	669,547	606,019	-	1,275,566
Depreciable capital assets				
Buildings	2,155,149	-	-	2,155,149
Equipment	1,851,027	133,432	-	1,984,459
Infrastructure	831,484	-	-	831,484
Vehicles	710,761	99,366	(11,887)	798,240
Total depreciable capital assets	5,548,421	232,798	(11,887)	5,769,332
Less: accumulated depreciation				
Buildings	(242,668)	(47,912)	-	(290,580)
Equipment	(1,347,111)	(130,824)	-	(1,477,935)
Infrastructure	(41,702)	(18,477)	-	(60,179)
Vehicles	(210,764)	(79,907)	11,887	(278,784)
Total accumulated depreciation	(1,842,245)	(277,120) *	11,887	(2,107,478)
Depreciable capital assets, net	3,706,176	(44,322)	-	3,661,854
Governmental Activities Capital Assets, Net	\$ 4,375,723	561,697	-	\$ 4,937,420

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

General Government	\$ 157,958
Public Safety	5,542
Transportation	113,620
Total Depreciation Expense	<u>\$ 277,120</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 8 - CAPITAL ASSETS (continued)

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008
Business Type Activities:				
Non-depreicalbe capital assets				
Construction in Progress	\$ 610,319	441,571	(935,171)	\$ 116,719
Depreciable capital assets				
Buildings	3,170,236	-	-	3,170,236
Equipment	875,223	54,925	-	930,148
Infrastructure	11,014,126	943,336	-	11,957,462
Vehicles	<u>72,320</u>	<u>-</u>	<u>-</u>	<u>72,320</u>
Total depreciable capital assets	15,131,905	998,261	-	16,130,166
Less: accumulated depreciation				
Buildings	(2,053,320)	(61,450)	-	(2,114,770)
Equipment	(502,071)	(67,653)	-	(569,724)
Infrastructure	(3,519,864)	(245,830)	-	(3,765,694)
Vehicles	<u>(25,249)</u>	<u>(11,057)</u>	<u>-</u>	<u>(36,306)</u>
Total accumulated depreciation	(6,100,504)	(385,990)	-	(6,486,494)
Depreciable capital assets, net	<u>9,031,401</u>	<u>612,271</u>	<u>-</u>	<u>9,643,672</u>
Business Type Activities Capital Assets, Net	<u>\$ 9,641,720</u>	<u>1,053,842</u>	<u>(935,171)</u>	<u>\$ 9,760,391</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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan 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 2008, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). The 2008 member contribution rates were 10% of their annual covered salary. The 2008 employer contribution rate for local government employer units was 14% of covered payroll. The City's contributions to the plan for the years ending December 31, 2008, 2007 and 2006 were \$162,301, \$135,813 and \$148,584, respectively. 100 percent of the required contributions have been contributed for 2007 and 2006; 91.6 percent of the required contributions were contributed for 2008 with the remainder being reported 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, 2008, 2007 and 2006 were \$72,455, \$76,206 and \$71,377, respectively. The City's contributions include a full pick-up on the police chief. 100 percent of the required contributions have been contributed for 2007 and 2006; 77.9 percent of the required contributions were contributed for 2008 with the remainder being reported as a liability within the respective funds and the statement of net assets.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

Ohio Public Employees Retirement System

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

In order to qualify for postemployment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Active members do not made contributions to the OPEB Plan. OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual employer contributions for 2008, 2007 and 2006 which were used to fund postemployment benefits were \$81,150, \$53,931 and \$48,810, respectively. The actual contribution and the actuarially required contribution amounts are the same.

The Health Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The City's actual contributions for 2008, 2007 and 2006 that were used to fund postemployment benefits were \$25,069, \$23,890 and \$28,336, respectively.

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

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 \$66,221 at December 31, 2008.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 11 - OTHER EMPLOYEE BENEFITS (continued)

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, 2008 was \$65,053.

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 2008 the City renewed their contract with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
General Liability	\$ 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	5,061,963	no deductible
Inland Marine	4,867,271	1,000
Special Property	1,001,193	1,000
Crime	10,000	no deductible
EDP	66,500	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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 - RISK MANAGEMENT (continued)

The City has elected to provide employee medical insurance benefits through Medical Mutual of Ohio. The City covers the employee's premiums and deductibles by budgeting \$154,500 each year for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$6,000 after the employee pays the first \$250. If the money set aside is not depleted, the City places the excess into a savings account. In 2008, the City made no contributions to the savings account and the account has a balance of \$128,254. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

The City entered into a lease agreement in 2005 for the purchase of an ambulance and a bucket truck. In 2007 the City entered into a lease agreement to purchase an off-road utility truck. 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 respective funds. Lease payments for the utility truck are reflected as contractual service expenses in the sewer fund and transportation expenses in the governmental funds on a budgetary basis. Lease payments for the ambulance and bucket truck are reflected as public safety and transportation expenses in the governmental funds on a budgetary basis. The utility truck has been capitalized on the statement of net assets for \$127,661. The ambulance and bucket truck have been capitalized on the statement of net assets for \$249,718. Principal payments in 2008 for capital leases were \$55,644.

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, 2008.

Year ending December 31,	Capital Lease Obligation
2009	\$ 63,245
2010	46,096
2011	13,839
2012	13,839
Total minimum lease payments	<u>137,019</u>
Less: Amount representing interest	<u>(10,007)</u>
Minimum lease payments	<u>\$ 127,012</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2007	Additions	Deletions	Balance 12/31/2008	Amount Due In One Year
<u>Governmental Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 1,460,000	\$ -	\$ (70,750)	\$ 1,389,250	\$ 75,000
Capital lease obligation	174,256	-	(54,122)	120,134	56,388
Compensated Absences	57,828	31,808	(24,500)	65,136	27,400
Total governmental activities	<u>\$ 1,692,084</u>	<u>\$ 31,808</u>	<u>\$ (149,372)</u>	<u>\$ 1,574,520</u>	<u>\$ 158,788</u>
<u>Business-type Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 270,000	\$ -	\$ (39,250)	\$ 230,750	\$ 40,000
OPWC Loans	474,902	118,798	(3,229)	590,471	15,650
Capital lease obligation	8,400	-	(1,522)	6,878	1,597
Compensated Absences	60,042	21,596	(15,500)	66,138	17,200
Total business-type activities	<u>\$ 813,344</u>	<u>\$ 140,394</u>	<u>\$ (59,501)</u>	<u>\$ 894,237</u>	<u>\$ 74,447</u>

The City issued general obligation bonds in 2007 to refinance short-term bond anticipation notes issued for the construction costs associated with the repair and replacement of water and sewer lines, renovation of the municipal building and the expansion of the fire station. The general obligations bonds will be paid from the General Fund, Fire/EMS Fund, Street Levy Fund, Water Fund and Storm Water Fund.

During 2008, the City received the remaining amount of the loans from the Ohio Public Works Commission (OPWC) for the Phillipsburg-Union Road Sanitary Sewer project and the Rhinehart Road Sanitary Pump Station Elimination project. The loans are non-interest bearing and will be repaid from the Sewer Fund over the next 21 years.

The City's future debt service requirements, including principle and interest for the general obligation bonds is as follows:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 75,000	\$ 62,956	\$ 40,000	\$ 10,487
2010	80,000	59,581	40,000	8,688
2011	90,000	55,981	20,000	6,887
2012	90,000	52,157	25,000	6,038
2013	90,000	58,054	90,000	5,824
2014-2018	289,250	152,602	15,750	7,001
2019-2023	340,000	123,945	-	-
2024-2027	335,000	72,539	-	-
Total	<u>\$ 1,389,250</u>	<u>\$ 637,815</u>	<u>\$ 230,750</u>	<u>\$ 44,925</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The City's future debt service payments for the OPWC loan is as follows:

Year	<u>Business-Type Activities</u>	
	<u>Principal</u>	
2009	\$	15,650
2010		31,299
2011		31,300
2012		31,299
2013		31,300
2014-2018		156,497
2019-2023		156,498
2024-2028		124,207
2029		12,421
Total	\$	<u>590,471</u>

Compensated absences are paid from the fund from which the employees' salaries and benefits are paid.

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$9,063,157.

NOTE 15 - FEDERAL AND STATE GRANTS

For the period January 1, 2008 to December 31, 2008 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 16 - INTERFUND TRANSFERS AND BALANCES

<u>Transfer to Fund</u>	<u>Transfer from Fund</u>	<u>Amount</u>
General	Sewer	\$ 4,250
Fire/EMS	General	34,000
Street Light	Storm Sewer	1,122
	Water	1,347
	Sewer	3,143
Grants	General	3,942
Other Governmental	Police	30,000
	General	53,000
Storm Sewer	Sewer	<u>1,938</u>
		\$ <u>132,742</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 16 - INTERFUND TRANSFERS AND BALANCES (continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the general fund are to provide additional resources for current operations as well as for debt service. The transfers from the police fund to the non-major police pension fund are regular transfers which enables the City to make its annual payment on pension obligations. The transfers from the enterprise funds resulted from those funds paying a portion of debt obligations which are recorded in another enterprise fund or as governmental activities.

The \$11,825 interfund receivable recorded in the general fund resulted from an advance from the general fund to the grants capital project fund to provide financing until sufficient grant monies were received. This amount is anticipated to be repaid to the general fund during 2009 when the City receives the final grant allocation.

NOTE 17 – SUBSEQUENT EVENTS

On March 9, 2009 the City Council approved the issuance of \$425,000 in bond anticipation notes to finance the acquisition of a fire truck.

On May 11, 2009, the City Council awarded a construction contract in the amount of \$850,000 for the construction of a new 500,000 gallon water tank.

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

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

We have audited 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

2525 north limestone street, ste. 103
springfield, oh 45503


www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 of Union, Ohio, in a separate letter dated June 30, 2009.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co.".

Springfield, Ohio
June 30, 2009

Finding 2007-001: Tracking of Encumbrances

The City's financial system did not have the capability to monitor encumbrances amount, instead the Finance Director was tracking outstanding encumbrance amounts outside the financial system using spreadsheets.

Status: Corrected during 2008



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
AUGUST 18, 2009**