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**City of Union**  
**Montgomery County, Ohio**

Basic Financial Statements

December 31, 2012

With Independent Auditors' Report





# Dave Yost • 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, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 23, 2013

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the "City") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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**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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparisons for the General, Police, Fire/EMS, Street Light, and Refuse Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2013 on our consideration of the City of Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Union's internal control over financial reporting and compliance.



Springfield, Ohio  
June 28, 2013

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2012  
(Unaudited)

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The discussion and analysis of the City of Union's financial performance provides an overview of the City's financial activities for the year ended December 31, 2012. 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 2012 are as follows:

- Governmental activities reported a change in net position of \$221,169; a 2.9% increase.
- Business-type activities reported a positive change in net position of \$258,410; a 2.7% increase. Operating revenues exceeded operating expenses by \$110,237. Although there were no significant increases or decreases in operating revenues or expenses from the prior year, charges for services were sufficient to cover operating costs.
- The General Fund reported a fund balance of \$443,275 which was a decrease of \$213,094 from the fund balance of the prior year of \$656,369.
- Actual budget basis revenues were less than actual budget basis expenditures in the General Fund by \$379,185 which resulted in a decrease in unencumbered cash balance to \$303,610.

### **Using this Annual Financial Report**

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

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

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

#### *Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially in 2012?" The Statement of Net Position 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.



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

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

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

### **Reporting the City's Most Significant Funds**

#### *Fund Financial Statements*

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

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

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

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

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

**The City as a Whole**

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

Table 1 provides a summary of the City's net position for the year ended December 31, 2012 as compared to December 31, 2011.

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

	2012			2011		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other						
Assets	\$ 4,637,308	947,596	5,584,904	4,718,725	750,414	5,469,139
Capital Assets	<u>6,336,039</u>	<u>12,245,524</u>	<u>18,581,563</u>	<u>6,265,916</u>	<u>12,295,396</u>	<u>18,561,312</u>
Total Assets	<u>10,973,347</u>	<u>13,193,120</u>	<u>24,166,467</u>	<u>10,984,641</u>	<u>13,045,810</u>	<u>24,030,451</u>
Liabilities:						
Current and Other						
Liabilities	1,863,117	680,858	2,543,975	1,967,644	824,176	2,791,820
Long-term Liabilities	<u>1,327,118</u>	<u>2,556,185</u>	<u>3,883,303</u>	<u>1,455,054</u>	<u>2,523,967</u>	<u>3,979,021</u>
Total Liabilities	<u>3,190,235</u>	<u>3,237,043</u>	<u>6,427,278</u>	<u>3,422,698</u>	<u>3,348,143</u>	<u>6,770,841</u>
Net Position:						
Net Investment in						
Capital Assets	4,752,639	9,129,409	13,882,048	4,486,731	9,118,356	13,605,087
Restricted	1,785,379	-	1,785,379	1,816,328	-	1,816,328
Unrestricted	<u>1,245,094</u>	<u>826,668</u>	<u>2,071,762</u>	<u>1,258,884</u>	<u>579,311</u>	<u>1,838,195</u>
Total Net Position	<u>\$ 7,783,112</u>	<u>9,956,077</u>	<u>17,739,189</u>	<u>7,561,943</u>	<u>9,697,667</u>	<u>17,259,610</u>

The amount by which the City's assets exceeded its liabilities is called net position. As of December 31, 2012 the City's overall net position was \$17.7 million. Of this amount, \$13.9 million was invested in capital assets, net of related debt.

The increase in capital assets reported for 2012 compared to 2011 are attributable to current year additions exceeding depreciation expense and deletions for the year. Governmental capital asset additions included several infrastructure projects, such as the completion of the Concord Farms low flow channel in the stormwater business-type activity as well as a purchase several pieces of equipment associated with the Streets department. Construction of needed storage facilities and improvements to existing buildings occurred during 2012.

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Decreases reported in the short-term liabilities of the City at the end of 2012 are primarily due to paying off and refinancing short-term bond anticipation notes used to finance the Old Springfield Road Sewer Extension. The increase in the Ohio Public Works Commission loans during 2012 was due to increase in amounts owed to OWPC for loans used in conjunction with the Concord Farms low flow channel project as well as the completion of the Shaw Road water tank recoating.

The following table shows the changes in net position for the year ended December 31, 2011 as compared to fiscal year ended December 31, 2012.

**TABLE 2**  
Change in Net position

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 1,271,201	1,234,985	1,350,978	1,333,506	2,622,179	2,568,491
Operating Grants and Contributions	567,384	581,408	-	-	567,384	581,408
Capital Grants and Contributions	72,643	61,912	180,479	381,105	253,122	443,017
General Revenues:						
Income Taxes	495,591	561,899	-	-	495,591	561,899
Property Taxes	1,456,695	1,536,149	-	-	1,456,695	1,536,149
Grants and Contributions not Restricted	216,996	247,728	-	-	216,996	247,728
Investment Income	1,473	1,991	495	290	1,968	2,281
Other Revenue	88,787	27,741	-	-	88,787	27,741
Total Revenue	<u>4,170,770</u>	<u>4,253,813</u>	<u>1,531,952</u>	<u>1,714,901</u>	<u>5,702,722</u>	<u>5,968,714</u>
<b>EXPENSES:</b>						
General Government	1,097,842	922,464	-	-	1,097,842	922,464
Security of Persons and Property	1,599,145	1,592,605	-	-	1,599,145	1,592,605
Public Health Services	16,549	10,663	-	-	16,549	10,663
Transportation	578,305	641,438	-	-	578,305	641,438
Community Environment	497,252	499,465	-	-	497,252	499,465
Leisure Time Activities	89,439	87,287	-	-	89,439	87,287
Water	-	-	449,447	434,473	449,447	434,473
Sewer	-	-	680,734	816,770	680,734	816,770
Stormwater	-	-	143,361	178,043	143,361	178,043
Interest Expense	71,069	72,024	-	-	71,069	72,024
Total Expenses	<u>3,949,601</u>	<u>3,825,946</u>	<u>1,273,542</u>	<u>1,429,286</u>	<u>5,223,143</u>	<u>5,255,232</u>
Change in Net Position	221,169	427,867	258,410	285,615	479,579	713,482
Net Position, Beginning of Year	<u>7,561,943</u>	<u>7,134,076</u>	<u>9,697,667</u>	<u>9,412,052</u>	<u>17,259,610</u>	<u>16,546,128</u>
Net Position, End of Year	<u>\$ 7,783,112</u>	<u>7,561,943</u>	<u>9,956,077</u>	<u>9,697,667</u>	<u>17,739,189</u>	<u>17,259,610</u>

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
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***Governmental Activities***

Total expenses of governmental activities increased by 3.2% over those reported in 2011. The only significant increase noted was the general government function due to wage and health care benefit increases. 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 \$770,043. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$1.1 million.

***Business-Type Activities***

Overall, the City's business-type activities generated \$1.4 million in operating revenues; reduced operating costs reported for 2012 resulted in the program revenues associated with all business-type activities exceeding the expense of those activities by \$257,915. Operating costs will fluctuate from year to year depending on the personnel costs as well as general maintenance necessary to run the utilities operations.

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>2012</u>		<u>2011</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>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 1,097,842	(979,847)	922,464	(729,897)
Security of Persons and Property	1,599,145	(770,043)	1,592,605	(794,786)
Public Health Services	16,549	(7,828)	10,663	(10,663)
Transportation	578,305	(142,021)	641,438	(271,256)
Community Environment	497,252	21,874	499,465	18,272
Leisure Time Activities	89,439	(89,439)	87,287	(87,287)
Interest Expense	<u>71,069</u>	<u>(71,069)</u>	<u>72,024</u>	<u>(72,024)</u>
Total Expenses	<u>\$ 3,949,601</u>	<u>(2,038,373)</u>	<u>3,825,946</u>	<u>(1,947,641)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 449,447	85,201	434,473	293,659
Sewer	680,734	20,961	816,770	19,084
Stormwater	<u>143,361</u>	<u>151,753</u>	<u>178,043</u>	<u>(27,418)</u>
Total Expenses	<u>\$ 1,273,542</u>	<u>257,915</u>	<u>1,429,286</u>	<u>285,325</u>

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

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**THE CITY'S FUNDS**

*Governmental Funds*

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. As of December 31, 2012 the City's governmental funds reported revenues and other financing sources of \$4.2 million and expenditures and other financing uses of \$4.2 million, with combined fund balances of \$1.6 million. Of the \$1.6 million fund balance, \$1.2 is restricted by outside funding sources and cannot be used for general operations.

The General Fund is the chief operating fund of the City. At December 31, 2012, the unassigned fund balance of the General Fund was \$406,603. Unassigned fund balance represents 34.3 percent of total General Fund expenditures.

*Proprietary Funds*

The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$498,088, \$292,510 and \$36,070 for the water, sewer and stormwater funds, respectively. The change in net position were increases of \$85,498, \$21,129, and \$151,783 for the water, sewer and stormwater utilities, respectively. Total operating expenses for all proprietary funds were \$1.2 million which was slightly less than operating revenues of \$1.4 million, by approximately \$110,000 or 8.2 percent of operating revenues.

*General Fund Budgeting Highlights*

For the General Fund, actual budget basis revenue was \$877,000 as compared to the final budget estimate of \$868,000. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional income tax and intergovernmental revenue. The City is estimating conservatively due to the current economic conditions in the state of Ohio.

Total actual expenditures on the budget basis were \$1.1 million, approximately \$225,000 more than budgeted revenues. Actual budgeted expenditures were approximately \$86,000 below final budget estimates.

**CAPITAL ASSETS AND INFRASTRUCTURE**

At December 31, 2012, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$6.3 million and \$12.2 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2012 balances compared to December 31, 2011 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 8.

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(Unaudited)

**TABLE 4**  
Capital Assets, December 31

	2012			2011		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,279,452	-	1,279,452	1,279,452	-	1,279,452
Construction in Progress	164,713	625	165,338	49,483	20,715	70,198
Infrastructure	1,505,975	16,011,308	17,517,283	1,421,771	15,626,774	17,048,545
Buildings	2,328,355	3,201,790	5,530,145	2,223,032	3,170,236	5,393,268
Improvements	153,213	31,921	185,134	120,027	31,921	151,948
Equipment	2,683,496	1,131,135	3,814,631	2,584,051	1,094,530	3,678,581
Vehicles	1,721,098	127,504	1,848,602	1,693,327	127,504	1,820,831
Less: Accumulated						
Depreciation	(3,500,263)	(8,258,759)	(11,759,022)	(3,105,227)	(7,776,284)	(10,881,511)
Totals	\$ 6,336,039	12,245,524	18,581,563	6,265,916	12,295,396	18,561,312

Overall, capital assets remained relatively unchanged from December 31, 2011 as additions to capital assets offset the depreciation expense for the year. The significant capital assets additions related primarily to the construction of storage facilities, significant sidewalk construction within Concord Farms subdivision, as well as completion of the Concord Farms low flow channel within the stormwater fund.

**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. General obligation bonds outstanding at year ended amounted to \$1.2 million with \$115,000 of principal payments on the bonds being made during the year.

In prior years, the City entered into lease agreements to purchase an ambulance, a dump truck, a mini-excavator, and an off road utility truck. Total capital lease obligations at December 31, 2012 were approximately \$211,000; \$68,000 of principal payments on the capital lease obligations were made during the year.

The City has several loan agreements with the Ohio Public Works Commission which were used to finance a water tower renovation project, different water and sewer line installations, the waste water lagoon aeration project and in 2012, the Concord Farms low flow channel rehabilitation and completion of the Shaw Road water tower project. Total OPWC loans outstanding at December 31, 2012 were \$2.3 million; \$103,300 of principal payments were made on these loans during the year.

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, 2012 the City's legal debt margin was approximately \$9.5 million.

See Notes 13, 14 and 15 of the Notes to the Basic Financial Statements for more detailed information on long-term and short-term debt of the City.

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

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**CONTACTING THE CITY'S FINANCE DEPARTMENT**

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

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

Statement of Net Position  
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,913,487	855,391	2,768,878
Receivables:			
Taxes	1,662,799	-	1,662,799
Accounts	227,078	85,090	312,168
Special Assessments	424,952	-	424,952
Due from Other Governments	354,270	-	354,270
Prepaid Items	9,395	2,030	11,425
Materials and Supplies Inventory	45,327	5,085	50,412
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,279,452	-	1,279,452
Construction in Progress	164,713	625	165,338
Capital assets, net of accumulated depreciation	<u>4,891,874</u>	<u>12,244,899</u>	<u>17,136,773</u>
Total Assets	<u>10,973,347</u>	<u>13,193,120</u>	<u>24,166,467</u>
<b>LIABILITIES:</b>			
Accounts Payable	35,734	-	35,734
Accrued Wages and Benefits	37,810	6,289	44,099
Due to Other Governments	48,352	16,835	65,187
Accrued Interest Payable	9,231	9,814	19,045
Deferred Revenue	1,379,410	-	1,379,410
Notes Payable	352,580	647,920	1,000,500
Noncurrent Liabilities:			
Due Within One Year	116,340	146,022	262,362
Due In More Than One Year	<u>1,210,778</u>	<u>2,410,163</u>	<u>3,620,941</u>
Total Liabilities	<u>3,190,235</u>	<u>3,237,043</u>	<u>6,427,278</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	4,752,639	9,129,409	13,882,048
Restricted for:			
Public Safety Services	239,016	-	239,016
Transportation	513,046	-	513,046
Capital Projects	155,076	-	155,076
Street Lights	766,318	-	766,318
Refuse	85,844	-	85,844
Other Purposes	26,079	-	26,079
Unrestricted	<u>1,245,094</u>	<u>826,668</u>	<u>2,071,762</u>
Total Net Position	<u>\$ 7,783,112</u>	<u>9,956,077</u>	<u>17,739,189</u>

See accompanying notes to the basic financial statements.



**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2012

<b><u>Functions/Programs:</u></b>	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Security of Persons and Property	\$ 1,599,145	625,359	203,743	-	(770,043)	(770,043)	
Public Health Services	16,549	8,721	-	-	(7,828)	(7,828)	
Leisure Time Activities	89,439	-	-	-	(89,439)	(89,439)	
Community Environment	497,252	519,126	-	-	21,874	21,874	
Transportation	578,305	-	363,641	72,643	(142,021)	(142,021)	
General Government	1,097,842	117,995	-	-	(979,847)	(979,847)	
Interest and Fiscal Charges	71,069	-	-	-	(71,069)	(71,069)	
<b>Total Governmental Activities</b>	<b>3,949,601</b>	<b>1,271,201</b>	<b>567,384</b>	<b>72,643</b>	<b>(2,038,373)</b>	<b>(2,038,373)</b>	
<b>Business-Type Activities:</b>							
Water	449,447	520,691	-	13,957	85,201	85,201	
Sewer	680,734	699,157	-	2,538	20,961	20,961	
Stormwater	143,361	131,130	-	163,984	151,753	151,753	
<b>Total Business-Type Activities</b>	<b>1,273,542</b>	<b>1,350,978</b>	<b>-</b>	<b>180,479</b>	<b>257,915</b>	<b>257,915</b>	
<b>Total</b>	<b>\$ 5,223,143</b>	<b>2,622,179</b>	<b>567,384</b>	<b>253,122</b>	<b>(2,038,373)</b>	<b>(1,780,458)</b>	
<b>General Revenues:</b>							
<b>Taxes:</b>							
Income Taxes					495,591	-	495,591
Property Taxes					1,456,695	-	1,456,695
Grants and Contributions not Restricted to Specific Programs					216,996	-	216,996
Investment Income					1,473	495	1,968
Gain on Sale of Capital Assets							-
Other Revenue					88,787	-	88,787
<b>Total General Revenues</b>					<b>2,259,542</b>	<b>495</b>	<b>2,260,037</b>
<b>Change in Net Position</b>					<b>221,169</b>	<b>258,410</b>	<b>479,579</b>
<b>Net Position, Beginning of Year</b>					<b>7,561,943</b>	<b>9,697,667</b>	<b>17,259,610</b>
<b>Net Position, End of Year</b>					<b>\$ 7,783,112</b>	<b>9,956,077</b>	<b>17,739,189</b>

See accompanying notes to the basic financial statements.

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

Balance Sheet  
Governmental Funds  
December 31, 2012

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund	Nonmajor Governmental Funds
<b>ASSETS:</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 406,236	155,988	300,841	381,728	89,493	579,201
Receivables:						
Taxes	370,269	692,653	360,153	-	-	239,724
Accounts	17,982	-	164,595	-	44,501	-
Special Assessments	27,049	-	-	397,903	-	-
Due from Other Governments	86,865	63,154	32,721	-	-	171,530
Prepaid Items	2,816	1,927	4,128	-	414	110
Materials and Supplies Inventory	25,856	-	-	-	-	19,471
	<u>406,236</u>	<u>155,988</u>	<u>300,841</u>	<u>381,728</u>	<u>89,493</u>	<u>579,201</u>
Total Assets	\$ <u>937,073</u>	<u>913,722</u>	<u>862,438</u>	<u>779,631</u>	<u>134,408</u>	<u>1,010,036</u>
<b>LIABILITIES:</b>						
Accounts Payable	\$ 300	-	-	-	35,434	-
Accrued Wages and Benefits	6,981	10,005	9,823	656	1,032	9,313
Due to Other Governments	14,855	19,735	2,519	2,697	1,972	6,574
Accrued Interest Payable	-	-	4,787	-	-	695
Deferred Revenue	471,662	731,289	544,902	397,903	-	378,072
Notes Payable	-	-	330,500	-	1,920	20,160
	<u>300</u>	<u>10,005</u>	<u>9,823</u>	<u>656</u>	<u>1,032</u>	<u>9,313</u>
Total Liabilities	\$ <u>493,798</u>	<u>761,029</u>	<u>892,531</u>	<u>401,256</u>	<u>40,358</u>	<u>414,814</u>
<b>FUND BALANCES:</b>						
Nonspendable:						
Materials and Supplies Inventory	25,856	-	-	-	-	19,471
Prepaid Items	2,816	1,927	4,128	-	414	110
Restricted for:						
Police Protection	-	150,766	-	-	-	32,114
Street Lights	-	-	-	378,375	-	-
Cemetery Services	-	-	-	-	-	14,404
Street Repair and Maintenance	-	-	-	-	-	517,298
Grant Programs	-	-	-	-	-	11,825
Committed for:						
Refuse Services	-	-	-	-	93,636	-
Assigned to:						
Unpaid Obligations	8,000	-	-	-	-	-
Unassigned	406,603	-	(34,221)	-	-	-
	<u>406,603</u>	<u>-</u>	<u>(34,221)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	\$ <u>443,275</u>	<u>152,693</u>	<u>(30,093)</u>	<u>378,375</u>	<u>94,050</u>	<u>595,222</u>
Total Liabilities and Fund Balances	\$ <u>937,073</u>	<u>913,722</u>	<u>862,438</u>	<u>779,631</u>	<u>134,408</u>	<u>1,010,036</u>

See accompanying notes to the basic financial statements.

*CITY OF UNION*  
**MONTGOMERY COUNTY, OHIO**  
 Reconciliation of Total Governmental Fund Balances  
 to Net Position of Governmental Activities  
 December 31, 2012

Total Governmental Funds	
1,913,487	Total Governmental Fund Balances <span style="float: right;">\$ 1,633,522</span>
1,662,799	Amounts reported for governmental activities in the Statement of Net Position are different because:
227,078	
424,952	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. <span style="float: right;">6,336,039</span>
354,270	
9,395	
45,327	
<u>4,637,308</u>	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.
35,734	Income Taxes <span style="float: right;">197,506</span>
37,810	Property Taxes <span style="float: right;">15,882</span>
48,352	Intergovernmental <span style="float: right;">323,501</span>
5,482	Charges for Services <span style="float: right;">209,626</span>
2,523,828	Special Assessments <span style="float: right;">397,903</span>
352,580	
<u>3,003,786</u>	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:
45,327	General Obligation Bonds <span style="float: right;">(1,054,250)</span>
9,395	Capital Lease Obligation <span style="float: right;">(176,570)</span>
182,880	Accrued Interest Payable <span style="float: right;">(3,749)</span>
378,375	Compensated Absences <span style="float: right;"><u>(96,298)</u></span>
14,404	
517,298	Net Position of Governmental Activities <span style="float: right;">\$ <u>7,783,112</u></span>
11,825	
93,636	
8,000	
<u>372,382</u>	
<u>1,633,522</u>	
<u>4,637,308</u>	

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2012

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund	Nonmajor Governmental Funds
<b>REVENUES:</b>						
Property Taxes	\$ 160,105	721,287	374,689	-	-	256,462
Income Taxes	473,308	-	-	-	-	-
Intergovernmental Revenue	193,096	131,989	67,018	-	-	441,020
Charges for Services	90,946	-	184,527	-	519,126	8,721
Special Assessments	-	-	-	383,506	-	-
Fines, Licenses and Permits	26,063	-	-	-	-	-
Investment Income	406	143	185	317	55	367
Other Revenue	75,920	817	15	-	-	3,283
	<u>1,019,844</u>	<u>854,236</u>	<u>626,434</u>	<u>383,823</u>	<u>519,181</u>	<u>709,853</u>
Total Revenues						
<b>EXPENDITURES:</b>						
Current:						
Security of Persons and Property	-	719,545	446,944	355,066	-	67,101
Public Health Services	-	-	-	-	-	16,521
Leisure Time Activities	89,133	-	-	-	-	-
Community Environment	-	-	-	-	495,980	-
Transportation	-	-	-	-	-	411,850
General Government	860,347	-	-	-	-	-
Capital Outlay	215,192	38,132	14,594	43,829	-	153,412
Debt Service:						
Principal	20,100	21,150	58,133	16,985	7,515	25,062
Interest	1,708	12,765	49,395	2,916	406	4,223
	<u>1,186,480</u>	<u>791,592</u>	<u>569,066</u>	<u>418,796</u>	<u>503,901</u>	<u>678,169</u>
Total Expenditures						
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(166,636)</u>	<u>62,644</u>	<u>57,368</u>	<u>(34,973)</u>	<u>15,280</u>	<u>31,684</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from Sale of Capital Assets	342	2,810	-	-	-	5,600
Transfers In	-	-	32,000	-	-	59,800
Transfers Out	(46,800)	(45,000)	-	-	-	-
	<u>(46,458)</u>	<u>(42,190)</u>	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>65,400</u>
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	(213,094)	20,454	89,368	(34,973)	15,280	97,084
Fund Balance, Beginning of Year	<u>656,369</u>	<u>132,239</u>	<u>(119,461)</u>	<u>413,348</u>	<u>78,770</u>	<u>498,138</u>
Fund Balance, End of Year	\$ <u>443,275</u>	<u>152,693</u>	<u>(30,093)</u>	<u>378,375</u>	<u>94,050</u>	<u>595,222</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, 2012

<u>Total</u>		
Governmental Funds	Total Net Change in Fund Balances - Governmental Funds	\$ (25,881)
	Amounts reported for governmental activities in the statement of activities are different because:	
1,512,543		
473,308		
833,123	Governmental funds report capital outlays as expenditures.	
803,320	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.	
383,506	Capital Asset Additions	465,159
26,063	Current Year Depreciation	(395,036)
1,473		
<u>80,035</u>		
4,113,371		
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
1,588,656	Income Taxes	22,283
16,521	Property Taxes	(55,848)
89,133	Intergovernmental	23,900
495,980	Charges for Services	47,854
411,850	Special Assessments	10,458
860,347		
465,159		
148,945	Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	148,945
<u>71,413</u>		
4,148,004		
(34,633)	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	(21,009)
8,752	Accrued Interest	<u>344</u>
91,800		
<u>(91,800)</u>	Change in Net Position of Governmental Activities	\$ <u>221,169</u>
8,752		
(25,881)		
<u>1,659,403</u>		
<u>1,633,522</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 147,943	152,218	154,652	2,434
Municipal Income Taxes	450,000	450,000	507,225	57,225
Intergovernmental Revenue	116,177	100,125	158,561	58,436
Charges for Services	-	-	29,601	29,601
Fines, Licenses and Permits	10,067	20,145	26,180	6,035
Investment Income	500	500	400	(100)
Other Revenue	145,000	145,000	-	(145,000)
<b>Total Revenues</b>	<b>869,687</b>	<b>867,988</b>	<b>876,619</b>	<b>8,631</b>
Expenditures:				
Current:				
General Government	1,165,380	1,165,379	1,079,196	86,183
Debt Service:				
Principal	20,100	20,100	20,100	-
Interest	1,708	1,709	1,708	1
<b>Total Expenditures</b>	<b>1,187,188</b>	<b>1,187,188</b>	<b>1,101,004</b>	<b>86,184</b>
Excess of Revenues Over (Under) Expenditures	(317,501)	(319,200)	(224,385)	94,815
Other Financing Sources (Uses):				
Transfers Out	(124,800)	(124,800)	(154,800)	(30,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(124,800)</b>	<b>(124,800)</b>	<b>(154,800)</b>	<b>(30,000)</b>
Net Change in Fund Balance	(442,301)	(444,000)	(379,185)	64,815
Fund Balance, Beginning of Year	679,795	679,795	679,795	-
Prior Year Encumbrances Appropriated	3,000	3,000	3,000	-
Fund Balance, End of Year	<b>\$ 240,494</b>	<b>238,795</b>	<b>303,610</b>	<b>64,815</b>

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 685,500	685,500	696,981	11,481
Intergovernmental Revenue	122,325	122,325	132,441	10,116
Investment Income	250	250	143	(107)
Other Revenue	1,000	1,000	7,477	6,477
Total Revenues	<u>809,075</u>	<u>809,075</u>	<u>837,042</u>	<u>27,967</u>
Expenditures:				
Current:				
Security of Persons and Property	803,160	803,160	759,585	43,575
Debt Service:				
Principal	21,150	21,150	21,150	-
Interest	12,765	12,765	12,765	-
Total Expenditures	<u>837,075</u>	<u>837,075</u>	<u>793,500</u>	<u>43,575</u>
Excess of Revenues Over (Under) Expenditures	<u>(28,000)</u>	<u>(28,000)</u>	<u>43,542</u>	<u>71,542</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net Change in Fund Balance	(73,000)	(73,000)	(1,458)	71,542
Fund Balance, Beginning of Year	<u>160,431</u>	<u>160,431</u>	<u>160,431</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 87,431</u>	<u>87,431</u>	<u>158,973</u>	<u>71,542</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 355,748	355,748	362,122	6,374
Intergovernmental Revenue	63,100	63,100	66,948	3,848
Charges for Services	175,000	175,000	184,527	9,527
Investment Income	100	100	185	85
Other Revenue	-	-	85	85
Total Revenues	<u>593,948</u>	<u>593,948</u>	<u>613,867</u>	<u>19,919</u>
Expenditures:				
Current:				
Security of Persons and Property	665,630	665,630	504,905	160,725
Debt Service:				
Principal	406,750	406,750	403,318	3,432
Interest	35,770	35,770	35,770	-
Total Expenditures	<u>1,108,150</u>	<u>1,108,150</u>	<u>943,993</u>	<u>164,157</u>
Excess of Revenues Over (Under) Expenditures	<u>(514,202)</u>	<u>(514,202)</u>	<u>(330,126)</u>	<u>184,076</u>
Other Financing Sources (Uses):				
Proceeds from Capital Lease and Notes	330,500	330,500	330,500	-
Transfers In	32,000	32,000	32,000	-
Transfers Out	(20,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	<u>342,500</u>	<u>342,500</u>	<u>342,500</u>	<u>-</u>
Net Change in Fund Balance	(171,702)	(171,702)	12,374	184,076
Fund Balance, Beginning of Year	<u>312,881</u>	<u>312,881</u>	<u>312,881</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 141,179</u>	<u>141,179</u>	<u>325,255</u>	<u>184,076</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 370,000	370,000	383,506	13,506
Investment Income	250	250	317	67
Total Revenues	<u>370,250</u>	<u>370,250</u>	<u>383,823</u>	<u>13,573</u>
Expenditures:				
Current:				
Security of Persons and Property	779,250	779,250	417,932	361,318
Total Expenditures	<u>779,250</u>	<u>779,250</u>	<u>417,932</u>	<u>361,318</u>
Excess of Revenues Over (Under) Expenditures	<u>(409,000)</u>	<u>(409,000)</u>	<u>(34,109)</u>	<u>374,891</u>
Net Change in Fund Balances	(409,000)	(409,000)	(34,109)	374,891
Fund Balance, Beginning of Year	<u>415,837</u>	<u>415,837</u>	<u>415,837</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,837</u>	<u>6,837</u>	<u>381,728</u>	<u>374,891</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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Charges for Services	510,000	510,000	518,207	8,207
Investment Income	50	50	55	5
Other Revenue	-	-	770	770
<b>Total Revenues</b>	<b>510,050</b>	<b>510,050</b>	<b>519,032</b>	<b>8,982</b>
Expenditures:				
Current:				
Community Environment	551,050	551,050	497,343	53,707
Debt Service:				
Principal	9,207	9,207	7,515	1,692
Interest	793	793	372	421
<b>Total Expenditures</b>	<b>561,050</b>	<b>561,050</b>	<b>505,230</b>	<b>55,820</b>
Net Change in Fund Balances	(51,000)	(51,000)	13,802	64,802
Fund Balance, Beginning of Year	99,453	99,453	99,453	-
Fund Balance, End of Year	<u>\$ 48,453</u>	<u>48,453</u>	<u>113,255</u>	<u>64,802</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Balance Sheet  
Proprietary Funds  
December 31, 2012

	Water	Sewer	Stormwater	Total
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 506,928	316,517	31,946	855,391
Accounts Receivable	38,364	36,065	10,661	85,090
Supplies Inventory	-	5,085	-	5,085
Prepaid Items	589	699	742	2,030
<b>Total Current Assets</b>	<b>545,881</b>	<b>358,366</b>	<b>43,349</b>	<b>947,596</b>
<b>Non-current Assets:</b>				
Construction in Progress	-	-	625	625
Depreciable Capital Assets, net	5,091,732	5,116,899	2,036,268	12,244,899
<b>Total Non-current Assets</b>	<b>5,091,732</b>	<b>5,116,899</b>	<b>2,036,893</b>	<b>12,245,524</b>
<b>Total Assets</b>	<b>\$ 5,637,613</b>	<b>5,475,265</b>	<b>2,080,242</b>	<b>13,193,120</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accrued Wages and Benefits	\$ 2,080	3,722	487	6,289
Accrued Interest Payable	488	9,121	205	9,814
Due to Other Governments	6,360	9,035	1,440	16,835
Compensated Absences Payable	4,330	5,099	571	10,000
Bond Anticipation Notes Payable	5,280	627,280	15,360	647,920
Issue II Loans Payable	80,866	23,311	-	104,177
Capital Lease Payable	439	949	457	1,845
General Obligation Bonds Payable	20,000	-	10,000	30,000
<b>Total Current Liabilities</b>	<b>119,843</b>	<b>678,517</b>	<b>28,520</b>	<b>826,880</b>
<b>Long Term Liabilities:</b>				
Compensated Absences Payable	34,535	38,879	4,576	77,990
Issue II Loans Payable	1,594,407	579,445	50,000	2,223,852
Capital Lease Payable	8,115	17,525	6,931	32,571
General Obligation Bonds Payable	35,750	-	40,000	75,750
<b>Total Long Term Liabilities</b>	<b>1,672,807</b>	<b>635,849</b>	<b>101,507</b>	<b>2,410,163</b>
<b>Total Liabilities</b>	<b>1,792,650</b>	<b>1,314,366</b>	<b>130,027</b>	<b>3,237,043</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	3,346,875	3,868,389	1,914,145	9,129,409
Unrestricted	498,088	292,510	36,070	826,668
<b>Total Net Position</b>	<b>3,844,963</b>	<b>4,160,899</b>	<b>1,950,215</b>	<b>9,956,077</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 5,637,613</b>	<b>5,475,265</b>	<b>2,080,242</b>	<b>13,193,120</b>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2012

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 491,988	689,012	129,192	1,310,192
Tap-In Fees	7,910	2,400	-	10,310
Other Operating Revenue	20,793	7,745	1,938	30,476
<b>Total Operating Revenue</b>	<b>520,691</b>	<b>699,157</b>	<b>131,130</b>	<b>1,350,978</b>
Operating Expenses:				
Personal Services	186,050	258,006	51,686	495,742
Contractual Services	36,990	135,132	7,072	179,194
Supplies and Materials	32,861	50,469	-	83,330
Depreciation	186,473	214,883	81,119	482,475
<b>Total Operating Expenses</b>	<b>442,374</b>	<b>658,490</b>	<b>139,877</b>	<b>1,240,741</b>
Operating Income (Loss)	78,317	40,667	(8,747)	110,237
Non-Operating Revenues (Expenses):				
Interest	297	168	30	495
Grant Revenue	13,957	2,538	163,984	180,479
Interest and Fiscal Charges	(3,573)	(20,404)	(3,484)	(27,461)
Other Non-Operating Expenses	(3,500)	(1,840)	-	(5,340)
Change in Net Position	85,498	21,129	151,783	258,410
Net Position at Beginning of Year	3,759,465	4,139,770	1,798,432	9,697,667
Net Position at End of Year	\$ 3,844,963	4,160,899	1,950,215	9,956,077

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, 2012

	Water	Sewer	Stormwater	Total
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 521,488	700,774	129,079	1,351,341
Cash Payments to Employees for Services and Benefits	(180,720)	(251,188)	(50,212)	(482,120)
Cash Payments to Suppliers for Goods and Services	(137,219)	(191,660)	(5,400)	(334,279)
<b>Net Cash Provided by Operating Activities</b>	<b>203,549</b>	<b>257,926</b>	<b>73,467</b>	<b>534,942</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Grant Revenue	13,957	2,538	163,984	180,479
Other Non-operating expenses	(3,500)	(1,842)	-	(5,342)
<b>Net Cash Provided by Noncapital Financing Activities:</b>	<b>10,457</b>	<b>696</b>	<b>163,984</b>	<b>175,137</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(86,262)	(61,011)	(285,331)	(432,604)
Proceeds from Loans	107,836	-	50,000	157,836
Proceeds from Sale of Notes	-	622,000	-	622,000
Principal Paid on Capital Leases	(1,966)	(4,246)	(3,545)	(9,757)
Principal Paid on Bonds	(15,000)	-	(10,000)	(25,000)
Principal Paid on Notes	(3,190)	(690,190)	(9,948)	(703,328)
Principal Paid on Loans	(67,220)	(36,124)	-	(103,344)
Interest expense	(3,618)	(11,281)	(2,835)	(17,734)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(69,420)</b>	<b>(180,852)</b>	<b>(261,659)</b>	<b>(511,931)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest	297	168	30	495
<b>Net Cash Provided by Investing Activities</b>	<b>297</b>	<b>168</b>	<b>30</b>	<b>495</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>144,883</b>	<b>77,938</b>	<b>(24,178)</b>	<b>198,643</b>
Cash and Cash Equivalents Beginning of Year	362,045	238,579	56,124	656,748
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 506,928</b>	<b>316,517</b>	<b>31,946</b>	<b>855,391</b>
<i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i>				
Operating Income (Loss)	\$ 78,317	40,667	(8,747)	110,237
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Depreciation	186,473	214,883	81,119	482,475
<b>Changes in Assets and Liabilities:</b>				
(Increase) Decrease in Accounts Receivable	797	1,617	(113)	2,301
(Increase) Decrease in Supplies Inventory	-	(725)	-	(725)
(Increase) Decrease in Prepaid Items	33	119	(267)	(115)
Increase (Decrease) in Accounts Payable	(67,400)	(5,454)	-	(72,854)
Increase (Decrease) in Accrued Salaries Payable	(187)	1,056	93	962
Increase (Decrease) in Due to Other Governments	6,360	9,035	1,440	16,835
Increase (Decrease) in Due to Other Funds	(7,017)	(8,748)	(893)	(16,658)
Increase (Decrease) in Compensated Absences Payable	6,173	5,476	835	12,484
<b>Net Cash Provided by Operating Activities:</b>	<b>\$ 203,549</b>	<b>257,926</b>	<b>73,467</b>	<b>534,942</b>

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fiduciary Funds

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

Proprietary Fund Types

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

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

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

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.

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 position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.



CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary 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.

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations, have been recorded as deferred revenues.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

The City invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2012. 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, 2012.

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 2012 amounted to \$1,473 and \$495 in the governmental funds and proprietary funds, respectively.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Supplies Inventory

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

Internal Balances

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed. Interest incurred during the construction of capital assets is also capitalized in the enterprise funds.

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

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 claims and judgments that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment from current-available resources. Long-term loans are recognized as a liability on the fund financial statements when due.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

The City reports classifications of fund equity based on the purpose for which resources were received and the level of constraint placed on the resources. Nonspendable fund balance indicates resources that are not expected to be converted to cash because they are not in a spendable form. Resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties are considered available only for the purpose for which they were received and are reported as a restricted fund balance. The City may limit the use of unreserved resources and they may be reported as committed or assigned fund balance depending on at what level of governance the constraints were placed. With an affirmative vote of its members, the City Council may create funds for which resources are committed to the established purpose of that fund. Through the City's purchasing policy the Council has given the Finance Director the authority to constrain monies for intended purposes, which are reported as assigned fund balances. All other funds in spendable form not restricted, committed or assigned are reported as an unassigned fund balance.

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

Net Position

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

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position 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 stormwater. 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, 2012

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Budgetary Process

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

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

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

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

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, 2012

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 restricted, committed, or assigned fund balance (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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	\$ (213,094)	\$ 20,454	\$ 89,368	\$ (34,973)	\$ 15,280
Revenue Accruals	(143,225)	(17,194)	(12,567)	-	(149)
Expenditure Accruals	85,476	(1,908)	(374,927)	864	(1,329)
Transfers	(108,000)	-	(20,000)	-	-
Debt Proceeds	-	-	330,500	-	-
Other	(342)	(2,810)	-	-	-
Budget Basis	<u>\$ (379,185)</u>	<u>\$ (1,458)</u>	<u>\$ 12,374</u>	<u>\$ (34,109)</u>	<u>\$ 13,802</u>

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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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 \$56,552 and the bank balance was \$171,309. \$171,309 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 \$2,712,326. STAROhio is rated AAAM by Standard and Poor's and comprises 100% of the City's investments.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, 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 2009. 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.



CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 5 - PROPERTY TAXES (continued)

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, 2012, 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 2012 property tax receipts were based are as follows:

Real property:	
Residential/agricultural	\$ 94,348,630
Commercial/industrial	4,334,070
Tangible personal property:	
Public utilities	<u>1,525,840</u>
Total valuation	<u>\$ 100,208,540</u>

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2012. 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 2012 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, 2012, 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, 2012 were \$87,391.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 1,279,452	-	-	\$ 1,279,452
Construction in Progress	49,483	115,230		164,713
Total Non-depreciable capital assets	1,328,935	115,230	-	1,444,165
Depreciable capital assets				
Buildings	2,223,032	105,323	-	2,328,355
Equipment	2,584,051	99,445	-	2,683,496
Infrastructure	1,421,771	84,204	-	1,505,975
Improvements	120,027	33,186	-	153,213
Vehicles	1,693,327	27,771	-	1,721,098
Total depreciable capital assets	8,042,208	349,929	-	8,392,137
Less: accumulated depreciation				
Buildings	(435,614)	(50,998)	-	(486,612)
Equipment	(1,927,262)	(141,719)	-	(2,068,981)
Infrastructure	(137,515)	(35,501)	-	(173,016)
Improvements	(3,702)	(5,461)	-	(9,163)
Vehicles	(601,134)	(161,357)	-	(762,491)
Total accumulated depreciation	(3,105,227)	(395,036) *	-	(3,500,263)
Depreciable capital assets, net	4,936,981	(45,107)	-	4,891,874
Governmental Activities				
Capital Assets, Net	\$ 6,265,916	70,123	-	\$ 6,336,039

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

General Government	\$ 225,170
Public Safety	7,900
Transportation	161,966
Total Depreciation Expense	<u>\$ 395,036</u>

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 8 - CAPITAL ASSETS (continued)

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012
Business Type Activities:				
Non-depreciable capital assets				
Construction in Progress	\$ 20,715	-	(20,090)	\$ 625
Depreciable capital assets				
Buildings	3,170,236	31,554	-	3,201,790
Equipment	1,094,530	36,605	-	1,131,135
Infrastructure	15,626,774	384,534	-	16,011,308
Improvements	31,921	-	-	31,921
Vehicles	127,504	-	-	127,504
Total depreciable capital assets	20,050,965	452,693	-	20,503,658
Less: accumulated depreciation				
Buildings	(2,299,117)	(61,452)	-	(2,360,569)
Equipment	(789,081)	(63,639)	-	(852,720)
Infrastructure	(4,626,751)	(346,079)	-	(4,972,830)
Improvements	(1,076)	(721)	-	(1,797)
Vehicles	(60,259)	(10,584)	-	(70,843)
Total accumulated depreciation	(7,776,284)	(482,475)	-	(8,258,759)
Depreciable capital assets, net	12,274,681	(29,782)	-	12,244,899
Business Type Activities				
Capital Assets, Net	\$ 12,295,396	(29,782)	(20,090)	\$ 12,245,524

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, 2012

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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 2012, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). The 2012 member contribution rates were 10% of their annual covered salary. The 2012 employer contribution rate for local government employer units was 14% of covered payroll. The City's contributions representing 100% of the employer's contributions for the years ending December 31, 2012, 2011 and 2010 were \$146,501, \$153,023, and \$161,813, respectively. The amount paid by the City includes both the employer's contribution as well as the employee's contribution (pick-up) for certain employees.

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, 2012, 2011 and 2010 were \$58,330, \$62,413, and \$66,170, respectively; 100% has been contributed for all three years.

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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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 make 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 2012, the employer contribution allocated to the health care plan was 4.0% for members in the Traditional Plan and 6.05% for members in the Combined Plan. The portion of employer contributes allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. 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 2012, 2011 and 2010 which were used to fund postemployment benefits were \$41,855, \$43,719, and \$58,697, respectively. The actual contribution and the actuarially required contribution amounts are the same for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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.

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.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

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NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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, 2012, 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 2012, 2011 and 2010 that were used to fund postemployment benefits were \$20,182, \$21,595, and \$22,895, respectively. 75% has been contributed for 2012 and 100% has been contributed for 2011 and 2010.

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 \$91,898 at December 31, 2012.

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, 2012 was \$92,390.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

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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 2012 the City renewed their contract with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
General Liability	\$ 5,000,000	no deductible
Police Liability	5,000,000	\$ 2,500
Errors and Omissions	5,000,000	2,500
Automobile	5,000,000	1,000
Property Insurance	8,972,807	1,000
Terrorism	10,000,000	10,000
Boiler & Machinery	8,897,082	1,000
Special Property	1,849,743	1,000
Crime	100,000	no deductible
EDP	102,020	250

Settled claims have not exceeded commercial coverage in any of the past five years.

The City joined a workers' compensation group rating plan, which allows local governments to group the experience of employers for workers' compensation rating purposes. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

The City has elected to provide employee medical insurance benefits through Medical Mutual of Ohio. The City covers the employee's premiums and deductibles by budgeting \$76,600 each year for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$5,000 after the employee pays the first \$250. If the money set aside is not depleted, the City places the excess into a savings account. In 2012, the City made no contributions to the savings account and the account has a balance of \$149,000. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

In 2007 the City entered into a lease agreement to purchase an off-road utility truck. In 2010, the City entered into a lease agreement for the purchase of a mini-excavator. In 2012, the City entered into lease agreements for the purchase of an ambulance and a dump 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.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - CAPITALIZED LEASES (continued)

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 transportation expenses in the governmental funds on a budgetary basis. Lease payments for the ambulance and dump truck are reflected as public safety and transportation expenses in the governmental funds on a budgetary basis. Lease payments for the mini-excavator are reflected as public safety expense in the governmental funds on a budgetary basis. The utility truck has been capitalized on the statement of net position for \$127,661. The mini-excavator has been capitalized on the statement of net position for \$55,977. The ambulance purchased in 2011 has been capitalized on the statement of net position for \$211,645 and the dump truck has been capitalized on the statement of net position for \$209,300. Principal payments in 2012 for capital leases were \$68,702.

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, 2012.

Year ending December 31,	<u>Capital Lease Obligation</u>
2013	\$ 64,128
2014	64,128
2015	64,128
2016	<u>36,475</u>
Total minimum lease payments	228,859
Less: Amount representing interest	<u>(17,873)</u>
Minimum lease payments	<u>\$ 210,986</u>

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Balance 12/31/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2012</u>	<u>Amount Due In One Year</u>
<u>Governmental Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 1,144,250	\$ -	\$ (90,000)	\$ 1,054,250	\$ 90,000
Capital lease obligation	235,515	-	(58,945)	176,570	11,340
Compensated Absences	<u>75,289</u>	<u>53,343</u>	<u>(32,334)</u>	<u>96,298</u>	<u>15,000</u>
Total governmental activities	<u>\$ 1,455,054</u>	<u>\$ 53,343</u>	<u>\$ (181,279)</u>	<u>\$ 1,327,118</u>	<u>\$ 116,340</u>
<u>Business-type Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 130,750	\$ -	\$ (25,000)	\$ 105,750	\$ 30,000
OPWC Loans	2,273,537	157,836	(103,344)	2,328,029	104,177
Capital lease obligation	44,173	-	(9,757)	34,416	1,845
Compensated Absences	<u>75,507</u>	<u>23,464</u>	<u>(10,981)</u>	<u>87,990</u>	<u>10,000</u>
Total business-type activities	<u>\$ 2,523,967</u>	<u>\$ 181,300</u>	<u>\$ (149,082)</u>	<u>\$ 2,556,185</u>	<u>\$ 146,022</u>



CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

During 2008, the City received 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 20 years.

During 2010, the City received loans from the Ohio Public Works Commission (OPWC) for a water tower construction and restoration project. The loans are non-interest bearing and will be repaid from the Water fund over the next thirty years.

During 2012, the City received the final amount of the loan from the Ohio Public Works Commission (OPWC) associated with the Shaw Road Water Tank Recoating project. This loans is non-interest bearing and will be repaid from the Water fund over the next twenty years. Also during 2012, the City received a loan through OPWC to finance the Concord Farms Low Flow Channel project. The repayment of this loan is expected to be made from the Storm Sewer fund.

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 90,000	\$ 48,331	\$ 30,000	\$ 4,975
2014	65,000	44,507	30,000	3,700
2015	50,000	41,744	30,000	2,425
2016	55,000	39,619	10,000	1,150
2017	55,000	36,456	5,750	575
2018-2022	325,000	138,569	-	-
2023-2027	414,250	57,913	-	-
Total	\$ 1,054,250	\$ 407,139	\$ 105,750	\$ 12,825

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

Business-Type Activities			
Year	Principal	Year	Principal
2013	\$ 104,177	2018-2022	525,052
2014	105,010	2023-2027	499,221
2015	105,011	2028-2032	390,167
2016	105,010	2033-2037	266,620
2017	105,011	2038-2042	122,750
		Total	\$ 2,328,029

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

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 15 – SHORT TERM OBLIGATIONS

A summary of short-term obligations for the year ended December 31, 2012, is as follows:

	<u>Balance</u> 12/31/2011	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2012
<u>Governmental Activities</u>				
Equipment Bond Anticipation Notes	\$ 35,420	\$ 22,080	\$ (35,420)	\$ 22,080
Fire Truck Acquisition Bond Anticipation Notes	<u>364,000</u>	<u>330,500</u>	<u>(364,000)</u>	<u>330,500</u>
Total governmental activities	<u>\$ 399,420</u>	<u>\$ 352,580</u>	<u>\$ (399,420)</u>	<u>\$ 352,580</u>
<u>Business-type Activities</u>				
Equipment Bond Anticipation Notes	\$ 41,580	\$ 25,920	\$ (41,580)	\$ 25,920
Old Springfield Road Sewer Extension Notes	<u>687,000</u>	<u>622,000</u>	<u>(687,000)</u>	<u>622,000</u>
Total business-type activities	<u>\$ 728,580</u>	<u>\$ 647,920</u>	<u>\$ (728,580)</u>	<u>\$ 647,920</u>

During 2012, the City issued a bond anticipation note to refinance three bond anticipation notes issued in prior years to purchase a fire truck, various equipment and finance the Old Springfield Road Sewer Extension Project. The bond anticipation note was issued on March 10, 2012 for \$1,000,500 at an interest rate of 1.0% and is scheduled to mature on March 9, 2013. Payments on this bond anticipation note are made from the Fire/EMS Fund, Refuse Fund, Street Fund, Water Fund, Sewer Fund and Stormwater Fund.

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2012 to December 31, 2012 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 - INTERFUND TRANSFERS AND BALANCES

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the general fund are to provide additional resources for current operations as well as for debt service. The transfer from the other governmental funds to the general fund was to move the unexpended balance of the fund after the activity was closed. 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 City had the following transfers during 2012:

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 17 - INTERFUND TRANSFERS AND BALANCES (continued)

Transfer from Fund	Transfer to Fund	Amount
General	Fire/EMS	32,000
	Other Governmental	14,800
Police	Other Governmental	45,000
		\$ 91,800

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

*Deficit Fund Balances*

Fund balances at December 31, 2012 included the following individual fund deficit:

	Deficit
Fire/EMS Fund	(30,093)

The deficit resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

NOTE 19 – SUBSEQUENT EVENT

On March 9, 2013, the City issued various purpose general obligation bond anticipation notes in the amount of \$952,500 in order to refinance the 2012 outstanding bond anticipation notes.

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2012, the City implemented GASB Statements No. 62 and No. 63 which are described below.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which do not conflict with or contradict GASB pronouncements. The implementation of this Statement had no effect on the City’s beginning net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement also identified net position as the residual of all other elements presented in a balance sheet, amending the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of the balance sheet and by renaming that measure as net position. This Statement had no effect on the City’s beginning net position.

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

Members of City Council  
City of Union, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2013.

**Internal Control Over Financial Reporting**

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

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

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

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Clark, Schaefer, Hackett & Co." The signature is written in a cursive style with a large initial 'C' and a stylized ampersand at the end.

Springfield, Ohio  
June 28, 2013



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success



# Dave Yost • Auditor of State

**CITY OF UNION**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 3, 2013**