
City of Union, Ohio

Basic Financial Statements

December 31, 2009

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Union, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 30, 2010

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-11
Basic Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Police Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Fire/EMS Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Street Light Fund.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Refuse Fund.....	22
Statement of Fund Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Notes to the Basic Financial Statements.....	26-49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the of City of Union, Ohio (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general, police, fire/ems, street light, and refuse funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

www.cshco.com
p. 937.399.2000
f. 937.399.5433

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
August 30, 2010

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

The discussion and analysis of the City of Union's financial performance provides an overview of the City's financial activities for the year ended December 31, 2009. 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 2009 are as follows:

- Governmental activities reported a positive net change in net assets of \$578,872 a 10.1% increase.
- Business-type activities reported a negative net change in net assets of \$205,543, a 2.1% decrease. Fiscal year 2009 experienced a decrease in net assets primarily due to decreasing operating revenues and increased operating costs.
- The General Fund reported a fund balance of \$525,275 which represents a decrease of \$109,406 or 17.2%. Decrease is primarily a result of interfund transfers used to help sustain resources of other governmental funds.
- Actual budget basis revenues were less than actual budget basis expenditures in the General Fund by \$144,982 which decreased the unencumbered cash balance to \$519,696.

Using this Annual Financial Report

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

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially in 2009?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities of the City using the accrual basis of accounting, similar to the accounting methods used by private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when cash was received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins after the Statement of Activities. Fund financial statements provide the detailed information about the General, Police, Fire/EMS, Street Light, and Refuse funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has two kinds of funds - "governmental" and "proprietary". The proprietary funds support the business-type activities.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

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

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

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

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

The City as a Whole

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

Table 1 provides a summary of the City's net assets for the year ended December 31, 2009 as compared to December 31, 2008.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

TABLE 1
Statement of Net Assets, December 31

	2009			2008		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 4,891,326	1,015,705	5,907,031	4,581,676	880,999	5,462,675
Capital Assets	<u>5,749,027</u>	<u>10,756,012</u>	<u>16,505,039</u>	<u>4,937,420</u>	<u>9,760,391</u>	<u>14,697,811</u>
Total Assets	<u>10,640,353</u>	<u>11,771,717</u>	<u>22,412,070</u>	<u>9,519,096</u>	<u>10,641,390</u>	<u>20,160,486</u>
Liabilities:						
Current and Other Liabilities	2,903,063	195,899	3,098,962	2,237,738	33,399	2,271,137
Long-term Liabilities	<u>1,451,580</u>	<u>2,067,607</u>	<u>3,519,187</u>	<u>1,574,520</u>	<u>894,237</u>	<u>2,468,757</u>
Total Liabilities	<u>4,354,643</u>	<u>2,263,506</u>	<u>6,618,149</u>	<u>3,812,258</u>	<u>927,636</u>	<u>4,739,894</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,877,030	8,673,499	12,550,529	3,428,036	8,932,292	12,360,328
Restricted	1,353,654	-	1,353,654	1,459,682	-	1,459,682
Unrestricted	<u>1,055,026</u>	<u>834,712</u>	<u>1,889,738</u>	<u>819,120</u>	<u>781,462</u>	<u>1,600,582</u>
Total Net Assets	\$ <u>6,285,710</u>	<u>9,508,211</u>	<u>15,793,921</u>	<u>5,706,838</u>	<u>9,713,754</u>	<u>15,420,592</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2009 the City's net assets were \$15.8 million. Of this amount, \$12.5 million was invested in capital assets, net of related debt.

The increase in capital assets reported for 2009 compared to 2008 are attributable to current year additions exceeding depreciation expense and deletions for the year. Governmental capital asset additions included the purchase of a \$428,000 fire engine and related apparatus pieces, a generator for City Hall at the cost of \$72,000, subdivision development costs of \$175,000, Union Community Park improvements totaling \$22,000, and various other improvements or acquisition of equipment and vehicles. The increase reported for business-type activities capital assets for the year was due primarily to the construction of the new water tower.

Increases reported in the short-term liabilities of the City at the end of 2009 is primarily due to the use of short-term bond anticipation notes used to purchase the fire engine as well as other equipment during the year. The \$1.25 million draws on a loan from the Ohio Public Works Commission during 2009 to finance the construction of the new water tower represents the increase in long-term liabilities of the business-type activities.

The following table shows the changes in net assets for the year ended December 31, 2008 as compared to fiscal year ended December 31, 2009.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

TABLE 2
Change in Net Assets

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,163,296	1,192,031	1,243,520	1,263,479	2,406,816	2,455,510
Operating Grants and Contributions	600,711	624,847	-	-	600,711	624,847
Capital Grants and Contributions	59,411	531,969	24,658	173,594	84,069	705,563
General Revenues:						
Income Taxes	460,474	628,187	-	-	460,474	628,187
Property Taxes	1,693,166	1,440,186	-	-	1,693,166	1,440,186
Grants and Contributions not Restricted	163,694	190,035	-	-	163,694	190,035
Investment Income	9,534	45,626	1,907	18,185	11,441	63,811
Other Revenue	204,659	8,247	19,941	33,146	224,600	41,393
Gain (Loss) on Sale of Assets	(2,371)	2,585	2,010	-	(361)	2,585
Transfers	(7,600)	9,862	7,600	(9,862)	-	-
Total Revenue	<u>4,344,974</u>	<u>4,673,575</u>	<u>1,299,636</u>	<u>1,478,542</u>	<u>5,644,610</u>	<u>6,152,117</u>
EXPENSES:						
General Government	817,761	846,316	-	-	817,761	846,316
Security of Persons and Property	1,700,221	1,591,648	-	-	1,700,221	1,591,648
Public Health Services	14,364	13,551	-	-	14,364	13,551
Transportation	697,051	684,346	-	-	697,051	684,346
Community Environment	402,871	400,281	-	-	402,871	400,281
Leisure Time Activities	66,844	102,527	-	-	66,844	102,527
Water	-	-	580,874	580,431	580,874	580,431
Sewer	-	-	777,045	678,620	777,045	678,620
Stormwater	-	-	147,260	142,667	147,260	142,667
Interest Expense	66,990	70,457	-	-	66,990	70,457
Total Expenses	<u>3,766,102</u>	<u>3,709,126</u>	<u>1,505,179</u>	<u>1,401,718</u>	<u>5,271,281</u>	<u>5,110,844</u>
Change in Net Assets	578,872	964,449	(205,543)	76,824	373,329	1,041,273
Net Assets, Beginning of Year	<u>5,706,838</u>	<u>4,742,389</u>	<u>9,713,754</u>	<u>9,636,930</u>	<u>15,420,592</u>	<u>14,379,319</u>
Net Assets, End of Year	<u>\$ 6,285,710</u>	<u>5,706,838</u>	<u>9,508,211</u>	<u>9,713,754</u>	<u>15,793,921</u>	<u>15,420,592</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

Governmental Activities

The two functions with the largest expenditures are Security of Persons and Property and General Government. Security of Persons and Property includes the Divisions of Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, the Public Safety Division receives property tax revenues to cover net expenses of \$889,433. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$817,761.

Business-Type Activities

Overall, the City's business-type activities generated \$1.3 million in operating revenues; however, the City still experienced an operating loss of \$225,792. Despite increases in fees to cover the costs of these essential services, usage declined resulting in operating revenues that were not sufficient to cover operating expenses.

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>2009</u>		<u>2008</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 817,761	(427,793)	846,316	(192,623)
Security of Persons and Property	1,700,221	(889,433)	1,591,648	(799,898)
Public Health Services	14,364	(7,513)	13,551	(6,834)
Transportation	697,051	(305,236)	684,346	(242,667)
Community Environment	402,871	(210,752)	400,281	24,495
Leisure Time Activities	66,844	(34,967)	102,527	(72,295)
Interest Expense	<u>66,990</u>	<u>(66,990)</u>	<u>70,457</u>	<u>(70,457)</u>
Total Expenses	\$ <u>3,766,102</u>	<u>(1,942,684)</u>	<u>3,709,126</u>	<u>(1,360,279)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 580,874	(134,901)	580,431	(121,553)
Sewer	777,045	(93,948)	678,620	21,031
Stormwater	<u>147,260</u>	<u>(8,152)</u>	<u>142,667</u>	<u>135,877</u>
Total Expenses	\$ <u>1,505,179</u>	<u>(237,001)</u>	<u>1,401,718</u>	<u>35,355</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. As of December 31, 2009 the City's governmental funds reported revenues of \$4.2 million and expenditures of \$4.7 million, with combined fund balances of \$1.3 million. Of the \$1.3 million fund balance, most of the balance constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate purchase orders of the prior period and other non-current assets.

The General Fund is the chief operating fund of the City. At December 31, 2009, unreserved fund balance of the General Fund was \$498,565. Unreserved fund balance represents 45 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 assets at the end of the year amounted to \$313,767, \$448,441 and \$72,504 for the water, sewer and stormwater funds, respectively. The change in net assets was a decrease of \$107,381 in the water fund, a decrease of \$65,677 in the sewer fund and a decrease of \$32,485 in the stormwater fund. Total operating expenses for all proprietary funds were \$1.5 million which was more than operating revenues of \$1.3 million, by approximately \$200,000 or 15 percent of operating revenues.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$1.1 million as compared to the final budget estimate of \$.8 million and the original budget estimate of \$.6 million. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional income tax revenue. This is the second year of receiving income taxes and the City is still estimating conservatively without any historical trends.

Total actual expenditures on the budget basis were \$1.1 million, approximately \$50,000 above revenues. Again, this is due to the City using conservative estimates of income tax revenue. Actual expenditures were approximately \$70,000 below final budget estimates.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2009, the City has invested in land, construction in progress, buildings, improvements and equipment with amounts totaling \$5.7 million and \$10.7 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2009 balances compared to December 31, 2008 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 8.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

TABLE 4
Capital Assets, December 31

	2009			2008		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,275,566	-	1,275,566	1,275,566	-	1,275,566
Construction in Progress	20,000	1,196,598	1,216,598	-	116,719	116,719
Infrastructure	1,096,896	12,184,335	13,281,231	831,484	11,957,462	12,788,946
Buildings	2,161,124	3,170,236	5,331,360	2,155,149	3,170,236	5,325,385
Improvements	21,559	-	21,559	-	-	-
Equipment	2,297,649	1,025,966	3,323,615	1,984,459	930,148	2,914,607
Vehicles	1,258,305	74,360	1,332,665	798,240	72,320	870,560
Less: Accumulated						-
Depreciation	(2,382,072)	(6,895,483)	(9,277,555)	(2,107,478)	(6,486,494)	(8,593,972)
Totals	\$ <u>5,749,027</u>	<u>10,756,012</u>	<u>16,505,039</u>	<u>4,937,420</u>	<u>9,760,391</u>	<u>14,697,811</u>

Overall, capital assets increased approximately \$1.8 million from December 31, 2008. The increase in capital assets related primarily to the construction of a new water tower and wetland preservation project.

DEBT ADMINISTRATION

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

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

During 2009 the City entered into a new loan agreement with the Ohio Public Works Commission to finance the water tower project and issued two Bond Anticipation Notes for the purchase of a fire truck and other equipment.

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, 2009 the City's legal debt margin was \$9,539,486

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2009
(Unaudited)

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Net Assets
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,792,243	888,580	2,680,823
Receivables (net of allowances for uncollectibles):			
Taxes	1,786,009	-	1,786,009
Accounts	217,470	85,721	303,191
Special Assessments	676,767	-	676,767
Due from Other Governments	376,684	-	376,684
Prepaid Items	10,699	1,476	12,175
Materials and Supplies Inventory	31,454	3,539	34,993
Cash in Escrow	-	36,389	36,389
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,275,566	-	1,275,566
Construction in Progress	20,000	1,196,599	1,216,599
Capital assets, net of accumulated depreciation	<u>4,453,461</u>	<u>9,559,413</u>	<u>14,012,874</u>
 Total Assets	 <u>10,640,353</u>	 <u>11,771,717</u>	 <u>22,412,070</u>
LIABILITIES:			
Accounts Payable	43,000	7,993	50,993
Contracts Payable	-	46,500	46,500
Retainage Payable	-	36,389	36,389
Accrued Wages and Benefits	17,553	4,851	22,404
Due to Other Governments	98,783	18,278	117,061
Accrued Interest Payable	4,801	888	5,689
Deferred Revenue	2,244,926	-	2,244,926
Notes Payable	494,000	81,000	575,000
Noncurrent Liabilities:			
Due Within One Year	140,500	90,177	230,677
Due In More Than One Year	<u>1,311,080</u>	<u>1,977,430</u>	<u>3,288,510</u>
 Total Liabilities	 <u>4,354,643</u>	 <u>2,263,506</u>	 <u>6,618,149</u>
NET ASSETS:			
Invested in capital assets, net of related debt	3,877,030	8,673,499	12,550,529
Restricted for:			
Public Safety	225,406	-	225,406
Transportation	474,669	-	474,669
Capital Projects	115,698	-	115,698
Other Purposes	537,881	-	537,881
Unrestricted	<u>1,055,026</u>	<u>834,712</u>	<u>1,889,738</u>
 Total Net Assets	 <u>\$ 6,285,710</u>	 <u>9,508,211</u>	 <u>15,793,921</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2009

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Security of Persons and Property	\$ 1,700,221	534,684	276,104	-	(889,433)		(889,433)
Public Health Services	14,364	4,518	2,333	-	(7,513)		(7,513)
Leisure Time Activities	66,844	21,022	10,855	-	(34,967)		(34,967)
Community Environment	402,871	126,695	65,424	-	(210,752)		(210,752)
Transportation	697,051	219,208	113,196	59,411	(305,236)		(305,236)
General Government	817,761	257,169	132,799	-	(427,793)		(427,793)
Interest and Fiscal Charges	66,990	-	-	-	(66,990)		(66,990)
Total Governmental Activities	<u>3,766,102</u>	<u>1,163,296</u>	<u>600,711</u>	<u>59,411</u>	<u>(1,942,684)</u>		<u>(1,942,684)</u>
Business-Type Activities:							
Water	580,874	445,973	-	-		(134,901)	(134,901)
Sewer	777,045	683,097	-	-		(93,948)	(93,948)
Stormwater	147,260	114,450	-	24,658		(8,152)	(8,152)
Total Business-Type Activities	<u>1,505,179</u>	<u>1,243,520</u>	<u>-</u>	<u>24,658</u>		<u>(237,001)</u>	<u>(237,001)</u>
Total	\$ <u>5,271,281</u>	<u>2,406,816</u>	<u>600,711</u>	<u>84,069</u>	<u>(1,942,684)</u>	<u>(237,001)</u>	<u>(2,179,685)</u>
General Revenues:							
Taxes:							
Income Taxes					460,474	-	460,474
Property Taxes Levied for General Purposes					1,693,166	-	1,693,166
Grants and Contributions not Restricted to Specific Programs					163,694	-	163,694
Contract Bond Forfeiture					189,601	-	189,601
Investment Income					9,534	1,907	11,441
Other Revenue					15,058	19,941	34,999
Gain (Loss) on Sale of Assets					(2,371)	2,010	(361)
Transfers					(7,600)	7,600	-
Total General Revenues					<u>2,521,556</u>	<u>31,458</u>	<u>2,553,014</u>
Change in Net Assets					578,872	(205,543)	373,329
Net Assets, Beginning of Year					<u>5,706,838</u>	<u>9,713,754</u>	<u>15,420,592</u>
Net Assets, End of Year					\$ <u>6,285,710</u>	<u>9,508,211</u>	<u>15,793,921</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2009

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
ASSETS:					
Cash and Cash Equivalents	\$ 429,281	139,785	227,295	424,455	59,334
Receivables					
Taxes	410,130	736,374	385,765	-	-
Accounts	16,861	-	161,626	-	38,983
Special Assessments	-	-	-	676,767	-
Interfund	11,825	-	-	-	-
Due from Other Governments	91,428	63,318	32,157	-	-
Prepaid Items	1,627	2,424	6,228	-	323
Materials and Supplies Inventory	21,570	-	-	-	-
Total Assets	\$ 982,722	941,901	813,071	1,101,222	98,640
LIABILITIES:					
Accounts Payable	\$ 5,618	505	3,016	31,940	-
Accrued Wages and Benefits	2,572	6,109	2,720	1,381	472
Due to Other Governments	12,131	49,177	9,159	1,818	2,566
Interfund Payable	-	-	-	-	-
Deferred Revenue	437,126	798,569	578,975	676,767	-
Notes Payable	-	-	425,000	-	6,000
Total Liabilities	457,447	854,360	1,018,870	711,906	9,038
FUND BALANCES:					
Reserved for:					
Encumbrances	3,513	1,341	2,154	-	-
Materials and Supplies Inventory	21,570	-	-	-	-
Prepaid Items	1,627	2,424	6,228	-	323
Unreserved, Undesignated:					
General Fund	498,565	-	-	-	-
Special Revenue Funds	-	83,776	(214,181)	389,316	89,279
Capital Projects Funds	-	-	-	-	-
Total Fund Balances	525,275	87,541	(205,799)	389,316	89,602
Total Liabilities and Fund Balances	\$ 982,722	941,901	813,071	1,101,222	98,640

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2009

Nonmajor Governmental Funds	Total Governmental Funds		
512,093	1,792,243	Total Governmental Fund Balances	\$ 1,348,325
253,740	1,786,009	Amounts reported for governmental activities in the Statement of Net Assets are different because:	
-	217,470	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,749,027
-	676,767	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	644,739
-	11,825	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
189,781	376,684	General Obligation Bonds	(1,314,250)
97	10,699	Capital Lease Obligation	(63,747)
9,884	31,454	Accrued Interest Payable	(4,801)
965,595	4,903,151	Compensated Absences	(73,583)
1,921	43,000	Net Assets of Governmental Activities	\$ <u>6,285,710</u>
4,299	17,553	See accompanying notes to the basic financial statements.	
23,932	98,783		
11,825	11,825		
398,228	2,889,665		
63,000	494,000		
503,205	3,554,826		
-	7,008		
9,884	31,454		
97	10,699		
-	498,565		
372,050	720,240		
80,359	80,359		
462,390	1,348,325		
965,595	4,903,151		

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
REVENUES:					
Taxes	\$ 655,084	738,132	387,871	-	-
Intergovernmental Revenue	163,694	140,701	65,596	-	741
Charges for Services	64,289	-	160,831	-	449,525
Special Assessments	-	-	-	435,449	-
Fines, Licenses and Permits	27,503	-	-	-	-
Investment Income	1,480	2,423	2,777	1,258	125
Contract Bond Forfeiture	189,601	-	-	-	-
Other Revenue	-	794	499	-	-
	<u>1,101,651</u>	<u>882,050</u>	<u>617,574</u>	<u>436,707</u>	<u>450,391</u>
Total Revenues					
EXPENDITURES:					
Current:					
Security of Persons and Property	-	751,671	493,720	376,492	-
Public Health Services	-	-	-	-	-
Leisure Time Activities	-	-	-	-	-
Community Environment	-	-	-	-	402,397
Transportation	-	-	-	-	-
General Government	641,334	-	-	-	-
Capital Outlay	452,394	18,193	428,325	8,154	6,665
Debt Service:					
Principal	16,750	18,650	55,345	16,458	6,501
Interest	4,214	15,647	40,361	1,274	1,386
	<u>1,114,692</u>	<u>804,161</u>	<u>1,017,751</u>	<u>402,378</u>	<u>416,949</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(13,041)</u>	<u>77,889</u>	<u>(400,177)</u>	<u>34,329</u>	<u>33,442</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from Sale of Capital Assets	-	4,657	-	-	-
Notes Premium	-	-	23	-	-
Transfers In	1,635	2,000	38,800	-	-
Transfers Out	<u>(98,000)</u>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(96,365)</u>	<u>(38,343)</u>	<u>38,823</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(109,406)	39,546	(361,354)	34,329	33,442
Fund Balance, Beginning of Year	<u>634,681</u>	<u>47,995</u>	<u>155,555</u>	<u>354,987</u>	<u>56,160</u>
Fund Balance, End of Year	\$ <u>525,275</u>	<u>87,541</u>	<u>(205,799)</u>	<u>389,316</u>	<u>89,602</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, 2009

Nonmajor Governmental Funds	Total Governmental Funds		
		Total Net Change in Fund Balances - Governmental Funds	\$ (489,273)
		Amounts reported for governmental activities in the statement of activities are different because:	
		Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
257,004	2,038,091	Capital Asset Additions	1,106,526
452,261	822,993	Current Year Depreciation	(292,548)
8,636	683,281		
-	435,449		
200	27,703		
1,471	9,534		
-	189,601		
535	1,828		
720,107	4,208,480		
		The net book value of assets retired is not recorded on the governmental funds but is recorded on the statement of activities.	
72,366	1,694,249	Cost of Assets	(20,325)
14,402	14,402	Accumulated Depreciation	17,954
67,146	67,146		
-	402,397		
577,857	577,857	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	133,233
732	642,066		
192,795	1,106,526	Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net assets.	131,387
17,683	131,387		
4,494	67,376		
947,475	4,703,406		
		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:	
(227,368)	(494,926)	Compensated Absences	(8,447)
		Accrued Interest	365
		Change in Net Assets of Governmental Activities	\$ <u>578,872</u>
8,573	13,230		
-	23		
127,642	170,077		
(34,677)	(177,677)		
101,538	5,653		
(125,830)	(489,273)		
588,220	1,837,598		
462,390	1,348,325		

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 176,300	176,300	175,351	(949)
Municipal Income Taxes	200,000	390,000	453,214	63,214
Intergovernmental Revenue	145,275	134,843	164,897	30,054
Charges for Services	54,000	54,000	81,025	27,025
Fines, Licenses and Permits	32,145	32,145	27,118	(5,027)
Bond Forfeiture	-	-	189,601	189,601
Investment Income	1,300	1,300	1,480	180
Total Revenues	609,020	788,588	1,092,686	304,098
Expenditures:				
Current:				
General Government	1,010,465	1,189,465	1,120,339	69,126
Debt Service:				
Principal	16,750	16,750	16,750	-
Interest	4,214	4,214	4,214	-
Total Expenditures	1,031,429	1,210,429	1,141,303	69,126
Excess of Revenues Over (Under) Expenditures	(422,409)	(421,841)	(48,617)	373,224
Other Financing Sources (Uses):				
Transfers In	-	-	1,635	1,635
Transfers Out	(97,863)	(108,863)	(98,000)	10,863
Total Other Financing Sources (Uses)	(97,863)	(108,863)	(96,365)	12,498
Net Change in Fund Balance	(520,272)	(530,704)	(144,982)	385,722
Fund Balance, Beginning of Year	615,399	615,399	615,399	-
Prior Year Encumbrances Appropriated	49,279	49,279	49,279	-
Fund Balance, End of Year	\$ 144,406	133,974	519,696	385,722

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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 755,000	755,000	738,132	(16,868)
Intergovernmental Revenue	106,550	106,550	139,578	33,028
Investment Income	500	500	2,423	1,923
Other Revenue	-	-	794	794
Total Revenues	<u>862,050</u>	<u>862,050</u>	<u>880,927</u>	<u>18,877</u>
Expenditures:				
Current:				
Security of Persons and Property	820,927	820,927	756,966	63,961
Principal	18,650	18,650	18,650	-
Interest	15,912	15,912	15,647	265
Total Expenditures	<u>855,489</u>	<u>855,489</u>	<u>791,263</u>	<u>64,226</u>
Excess of Revenues Over (Under) Expenditures	<u>6,561</u>	<u>6,561</u>	<u>89,664</u>	<u>83,103</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	4,657	4,657
Transfers In	-	-	2,000	2,000
Transfers Out	(45,000)	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(38,343)</u>	<u>6,657</u>
Net Change in Fund Balance	(38,439)	(38,439)	51,321	89,760
Fund Balance, Beginning of Year	83,251	83,251	83,251	-
Prior Year Encumbrances Appropriated	4,439	4,439	4,439	-
Fund Balance, End of Year	<u>\$ 49,251</u>	<u>49,251</u>	<u>139,011</u>	<u>89,760</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 399,000	399,000	387,871	(11,129)
Intergovernmental Revenue	54,475	54,475	65,596	11,121
Charges for Services	150,000	150,000	160,831	10,831
Investment Income	200	200	2,777	2,577
Other Revenue	-	-	499	499
Total Revenues	<u>603,675</u>	<u>603,675</u>	<u>617,574</u>	<u>13,899</u>
Expenditures:				
Current:				
Security of Persons and Property	1,012,763	978,763	950,541	28,222
Debt Service:				
Principal	69,600	29,600	29,600	-
Interest	41,872	41,872	39,639	2,233
Total Expenditures	<u>1,124,235</u>	<u>1,050,235</u>	<u>1,019,780</u>	<u>30,455</u>
Excess of Revenues Over (Under) Expenditures	<u>(520,560)</u>	<u>(446,560)</u>	<u>(402,206)</u>	<u>44,354</u>
Other Financing Sources:				
Proceeds from Sale of Bonds	425,000	425,000	425,023	23
Transfers In	34,000	34,000	38,800	4,800
Transfers Out	(20,000)	(20,000)	-	20,000
Total Other Financing Sources	<u>439,000</u>	<u>439,000</u>	<u>463,823</u>	<u>24,823</u>
Net Change in Fund Balance	(81,560)	(7,560)	61,617	69,177
Fund Balance, Beginning of Year	148,243	148,243	148,243	-
Prior Year Encumbrances Appropriated	<u>3,560</u>	<u>3,560</u>	<u>3,560</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 70,243</u>	<u>144,243</u>	<u>213,420</u>	<u>69,177</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 435,000	435,000	435,449	449
Investment Income	500	500	1,258	758
Total Revenues	<u>435,500</u>	<u>435,500</u>	<u>436,707</u>	<u>1,207</u>
Expenditures:				
Current:				
Security of Persons and Property	776,313	776,313	372,078	404,235
Total Expenditures	<u>776,313</u>	<u>776,313</u>	<u>372,078</u>	<u>404,235</u>
Net Change in Fund Balances	(340,813)	(340,813)	64,629	405,442
Fund Balance, Beginning of Year	357,604	357,604	357,604	-
Prior Year Encumbrances Appropriated	813	813	813	-
Fund Balance, End of Year	<u>\$ 17,604</u>	<u>17,604</u>	<u>423,046</u>	<u>405,442</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, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental Revenue	\$ -	-	741	741
Charges for Services	400,000	440,000	449,610	9,610
Investment Income	400	400	125	(275)
Total Revenues	<u>400,400</u>	<u>440,400</u>	<u>450,476</u>	<u>10,076</u>
Expenditures:				
Current:				
Community Environment	471,331	486,331	479,297	7,034
Total Expenditures	<u>471,331</u>	<u>486,331</u>	<u>479,297</u>	<u>7,034</u>
Net Change in Fund Balances	(70,931)	(45,931)	(28,821)	17,110
Fund Balance, Beginning of Year	48,612	48,612	48,612	-
Prior Year Encumbrances Appropriated	<u>30,931</u>	<u>30,931</u>	<u>30,931</u>	-
Fund Balance, End of Year	<u>\$ 8,612</u>	<u>33,612</u>	<u>50,722</u>	<u>17,110</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Fund Net Assets
Proprietary Funds
December 31, 2009

	Water	Sewer	Stormwater	Total
<u>Assets:</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 359,527	460,195	68,858	888,580
Accounts Receivable	34,283	41,259	10,179	85,721
Supplies Inventory	-	3,539	-	3,539
Prepaid Items	436	457	583	1,476
Cash In Escrow	36,389	-	-	36,389
Total Current Assets	430,635	505,450	79,620	1,015,705
Non-current Assets:				
Construction in Progress	1,196,599	-	-	1,196,599
Depreciable Capital Assets, net	3,212,834	4,416,884	1,929,695	9,559,413
Total Non-current Assets	4,409,433	4,416,884	1,929,695	10,756,012
Total Assets	4,840,068	4,922,334	2,009,315	11,771,717
<u>Liabilities:</u>				
Current Liabilities:				
Accounts Payable	3,598	3,720	675	7,993
Contracts Payable	46,500	-	-	46,500
Retainage Payable	36,389	-	-	36,389
Accrued Salaries Payable	801	3,748	302	4,851
Accrued Interest Payable	625	-	263	888
Intergovernmental Payable	5,161	10,501	2,616	18,278
Compensated Absences Payable	7,697	8,466	1,037	17,200
Bond Anticipation Notes Payable	16,500	16,500	48,000	81,000
Issue II Loans Payable	-	31,300	-	31,300
Capital Lease Payable	-	-	1,677	1,677
General Obligation Bonds Payable	35,000	-	5,000	40,000
Total Current Liabilities	152,271	74,235	59,570	286,076
Long Term Liabilities:				
Compensated Absences Payable	16,097	30,574	2,223	48,894
Issue II Loans Payable	1,246,311	527,871	-	1,774,182
Capital Lease Payable	-	-	3,604	3,604
General Obligation Bonds Payable	85,750	-	65,000	150,750
Total Long Term Liabilities	1,348,158	558,445	70,827	1,977,430
Total Liabilities	1,500,429	632,680	130,397	2,263,506
<u>Net Assets:</u>				
Invested in capital assets, net of related debt	3,025,872	3,841,213	1,806,414	8,673,499
Unrestricted	313,767	448,441	72,504	834,712
Total Fund Equity	3,339,639	4,289,654	1,878,918	9,508,211
Total Liabilities and Fund Equity	\$ 4,840,068	4,922,334	2,009,315	11,771,717

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 443,373	679,097	114,450	1,236,920
Tap-In Fees	2,600	4,000	-	6,600
Other Operating Revenue	15,941	4,000	-	19,941
Total Operating Revenue	461,914	687,097	114,450	1,263,461
Operating Expenses:				
Personal Services	195,543	292,377	40,298	528,218
Contractual Services	149,095	194,692	16,672	360,459
Supplies and Materials	88,510	97,072	6,005	191,587
Depreciation	138,926	189,918	80,145	408,989
Total Operating Expenses	572,074	774,059	143,120	1,489,253
Operating Income (Loss)	(110,160)	(86,962)	(28,670)	(225,792)
Non-Operating Revenues (Expenses):				
Interest	704	1,052	151	1,907
Grant Revenue	7,075	17,409	174	24,658
Interest and Fiscal Charges	(6,928)	-	(3,834)	(10,762)
Gain on Sale of Assets	-	2,010	-	2,010
Other Non-Operating Expenses	(1,872)	(2,986)	(306)	(5,164)
Total Non-Operating Expenses	(1,021)	17,485	(3,815)	12,649
Income (Loss) Before Operating Transfers and Capital Contributions	(111,181)	(69,477)	(32,485)	(213,143)
Transfer-in	3,800	3,800	-	7,600
Net Income (Loss)	(107,381)	(65,677)	(32,485)	(205,543)
Net Assets at Beginning of Year	3,447,020	4,355,331	1,911,403	9,713,754
Net Assets at End of Year	\$ 3,339,639	4,289,654	1,878,918	9,508,211

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, 2009

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 462,393	689,181	113,190	1,264,764
Cash Payments to Employees for Services and Benefits	(205,077)	(284,969)	(38,711)	(528,757)
Cash Payments to Suppliers for Goods and Services	(191,696)	(291,187)	(22,734)	(505,617)
Net Cash Provided (Used) by Operating Activities	65,620	113,025	51,745	230,390
Cash Flows from Noncapital Financing Activities:				
Grant Revenue	7,075	17,409	174	24,658
Other Non-operating expenses	(1,872)	(2,986)	(306)	(5,164)
Transfers-In	3,800	3,800	-	7,600
Net Cash Provided (Used) by Noncapital Financing Activities:	9,003	18,223	(132)	27,094
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(1,208,184)	(69,210)	(90,827)	(1,368,221)
Proceeds from Sale of Assets	-	2,010	-	2,010
Proceeds from Loans	1,246,311	-	-	1,246,311
Proceeds from Sale of Notes	16,500	16,500	48,000	81,000
Principal Paid on Capital Leases	-	-	(1,597)	(1,597)
Principal Paid on Bonds	(35,000)	-	(5,000)	(40,000)
Principal Paid on Loans	-	(31,300)	-	(31,300)
Interest expense	(6,975)	-	(3,854)	(10,829)
Net Cash Used in Capital and Related Financing Activities	12,652	(82,000)	(53,278)	(122,626)
Cash Flows from Investing Activities:				
Interest	704	1,052	151	1,907
Net Cash Provided by Investing Activities	704	1,052	151	1,907
Net Increase (Decrease) in Cash and Cash Equivalents	87,979	50,300	(1,514)	136,765
Cash and Cash Equivalents Beginning of Year	307,937	409,895	70,372	788,204
Cash and Cash Equivalents End of Year	\$ 395,916	460,195	68,858	924,969

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

Operating Income (Loss)	\$ (110,160)	(86,962)	(28,670)	(225,792)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	138,926	189,918	80,145	408,989
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	479	2,084	(1,260)	1,303
(Increase) Decrease in Prepaid Items	107	706	(57)	756
Increase (Decrease) in Accounts Payable	(698)	(128)	675	(151)
Increase (Decrease) in Contracts Payable	46,500	-	-	46,500
Increase (Decrease) in Accrued Salaries Payable	(4,363)	(2,596)	(896)	(7,855)
Increase (Decrease) in Intergovernmental Payable	900	3,879	1,905	6,684
Increase (Decrease) in Compensated Absences Payable	(6,071)	6,124	(97)	(44)
Net Cash Provided (Used) by Operating Activities:	\$ 65,620	113,025	51,745	230,390

Noncash Capital Financing Activities:

City acquired capital assets through purchases on account of \$36,389

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Union have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its proprietary funds. The most significant of the City's accounting policies are described below.

Basis of Presentation

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the charter of the City.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Police Fund – This fund accounts for all transactions relating to the provision of police and public safety services to the City.

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

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

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

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

Fiduciary Funds

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

Proprietary Fund Types

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

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

Storm Water Fund - This fund accounts for the collection of storm water 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transaction

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is thirty-one days after year-end.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred 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, 2009, but which were levied to finance 2010 operations, have been recorded as deferred revenues. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2009. 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, 2009.

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 2009 amounted to \$9,534 and \$1,907 in the governmental funds and proprietary funds, respectively.

Supplies Inventory

Inventories reported on the government-wide and fund financial statements are presented at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available resources even though it is a component of net current assets.

Internal Balances

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

Capital Assets

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences

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

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractual required pension obligations that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

extent that they are due for payment from current-available resources. Long-term loans are recognized as a liability on the fund financial statements when due.

Reservations and Designation of Fund Balance

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

Net Assets

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and storm water. 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, 2009

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 function level for all funds.

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

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

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 - BUDGET TO GAAP RECONCILIATION (continued)

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis)
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

Excess (Deficiency) of Revenues and Other
 Financing Sources Over (Under)
 Expenditures and Other Financing Uses
 General Fund and Major Special Revenue Funds

	General	Police	Fire/EMS	Street Light	Refuse
GAAP Basis	\$ (109,406)	\$ 39,546	\$ (361,354)	\$ 34,329	\$ 33,442
Revenue Accruals	(8,965)	(1,123)	-	-	85
Expenditure Accruals	(14,839)	16,662	3,378	31,709	(29,974)
Encumbrances	(11,772)	(3,764)	(5,407)	(1,409)	(32,374)
Debt Proceeds	-	-	425,000	-	-
Budget Basis	<u>\$ (144,982)</u>	<u>\$ 51,321</u>	<u>\$ 61,617</u>	<u>\$ 64,629</u>	<u>\$ (28,821)</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the City's deposits was \$108,443 and the bank balance was \$153,728. \$153,728 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 \$2,608,769. STAROhio is rated AAAm by Standard and Poor's and comprises 100% of the City's investments.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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.

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, 2009, 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 2009 property tax receipts were based are as follows:

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 - PROPERTY TAXES (continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2009. 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 2009 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, 2009, 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, 2009 was \$85,721.

A summary of intergovernmental receivables follows:

General Fund	\$	91,428
Special Revenue Funds		
Police Pension		2,409
Police		63,318
Fire/EMS		32,157
State Highway		145,806
Street Maintenance and Repair		10,088
Other Grants		<u>12,500</u>
Total Special Revenue Funds		266,278
Capital Projects Fund		
Street Levy		<u>18,978</u>
Total Intergovernmental Receivable	\$	<u><u>376,684</u></u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 1,275,566	-	-	\$ 1,275,566
Construction in Progress	-	20,000	-	20,000
Total Non-depreciable capital assets	1,275,566	20,000	-	1,295,566
Depreciable capital assets				
Buildings	2,155,149	5,975	-	2,161,124
Equipment	1,984,459	313,190	-	2,297,649
Infrastructure	831,484	265,412	-	1,096,896
Improvements	-	21,559	-	21,559
Vehicles	798,240	480,390	(20,325)	1,258,305
Total depreciable capital assets	5,769,332	1,086,526	(20,325)	6,835,533
Less: accumulated depreciation				
Buildings	(290,580)	(48,000)	-	(338,580)
Equipment	(1,477,935)	(134,841)	-	(1,612,776)
Infrastructure	(60,179)	(23,339)	-	(83,518)
Improvements	-	(279)	-	(279)
Vehicles	(278,784)	(86,089)	17,954	(346,919)
Total accumulated depreciation	(2,107,478)	(292,548) *	17,954	(2,382,072)
Depreciable capital assets, net	3,661,854	793,978	(2,371)	4,453,461
Governmental Activities Capital Assets, Net	\$ 4,937,420	813,978	(2,371)	\$ 5,749,027

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

General Government	\$ 166,752
Public Safety	5,851
Transportation	119,945
Total Depreciation Expense	\$ 292,548

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 - CAPITAL ASSETS (continued)

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Business Type Activities:				
Non-depreicalbe capital assets				
Construction in Progress	\$ 116,719	1,196,599	(116,719)	\$ 1,196,599
Depreciable capital assets				
Buildings	3,170,236	-	-	3,170,236
Equipment	930,148	95,817	-	1,025,965
Infrastructure	11,957,462	226,873	-	12,184,335
Vehicles	<u>72,320</u>	<u>2,040</u>	-	<u>74,360</u>
Total depreciable capital assets	16,130,166	324,730	-	16,454,896
Less: accumulated depreciation				
Buildings	(2,114,770)	(61,449)	-	(2,176,219)
Equipment	(569,724)	(75,105)	-	(644,829)
Infrastructure	(3,765,694)	(261,242)	-	(4,026,936)
Vehicles	<u>(36,306)</u>	<u>(11,193)</u>	-	<u>(47,499)</u>
Total accumulated depreciation	(6,486,494)	(408,989)	-	(6,895,483)
Depreciable capital assets, net	<u>9,643,672</u>	<u>(84,259)</u>	-	<u>9,559,413</u>
Business Type Activities Capital Assets, Net	<u>\$ 9,760,391</u>	<u>1,112,340</u>	<u>(116,719)</u>	<u>\$ 10,756,012</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

Ohio Public Employees Retirement System

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). The 2008 member contribution rates were 10% of their annual covered salary. The 2009 employer contribution rate for local government employer units was 14% of covered payroll. The City's contributions to the plan for the years ending December 31, 2009, 2008 and 2007 were \$151,256, \$162,301 and \$135,813, 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. The unpaid contribution for 2009 was \$16,653 and is recorded as a liability within the respective funds and the statement of net assets.

Ohio Police and Fire Pension Fund

The City of Union contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The City contributions to the plan for the years ended December 31, 2009, 2008 and 2007 were \$71,576, \$72,455, and \$76,206, respectively. The City's contributions include a full pick-up on the police chief. The unpaid contribution for 2009 was \$18,289 and is recorded as a liability in the respective funds and statement of net assets.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

Ohio Public Employees Retirement System

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

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

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

Active members do not 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 2009, the employer contribution allocated to the health care plan was 7.0% of covered payroll from January 1 through March 31, 2009 and 5.5% of covered payroll from April 1 through December 31, 2009. 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 2009, 2008 and 2007 which were used to fund postemployment benefits were \$63,478, \$81,150 and \$53,931, respectively. The actual contribution and the actuarially required contribution amounts are the same.

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

Ohio Police and Fire Pension Fund

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, 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 2009, 2008 and 2007 that were used to fund postemployment benefits were \$22,439, \$25,069 and \$23,890, respectively.

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

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation accrual for the City as a whole amounted to \$71,920 at December 31, 2009.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 - OTHER EMPLOYEE BENEFITS (continued)

Accumulated Unpaid Sick Leave

All hourly employees earn 4.6 hours of sick leave per 80 hours worked. All salaried employees earn sick leave at the rate of 1.25 days per month. Upon qualifying to retire under one of the two pension systems an employee who has unused accumulated sick leave of up to 60 days is eligible to be paid for a portion of these hours. An employee with between 10 and 20 years of service will be paid at a rate of one day's pay for every two days accrued. An employee with over twenty years of service shall receive one day's pay for each day of accumulated sick leave. The total obligation for sick leave accrual for the City as a whole as of December 31, 2009 was \$67,757.

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 2009 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	7,461,518	1,000
Inland Marine	7,461,518	1,000
Special Property	1,320,420	1,000
Crime	50,000	no deductible
EDP	101,500	250

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

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 12 - RISK MANAGEMENT (continued)

The City has elected to provide employee medical insurance benefits through Medical Mutual of Ohio. The City covers the employee's premiums and deductibles by budgeting \$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 2009, the City made no contributions to the savings account and the account has a balance of \$128,608. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

The City entered into a lease agreement in 2005 for the purchase of an ambulance and a bucket truck. In 2007 the City entered into a lease agreement to purchase an off-road utility truck. The leases meet the criteria of capital leases as defined by statement of financial accounting standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service in the respective funds. Lease payments for the utility truck are reflected as contractual service expenses in the sewer fund and transportation expenses in the governmental funds on a budgetary basis. Lease payments for the ambulance and bucket truck are reflected as public safety and transportation expenses in the governmental funds on a budgetary basis. The utility truck has been capitalized on the statement of net assets for \$127,661. The ambulance and bucket truck have been capitalized on the statement of net assets for \$249,718. Principal payments in 2009 for capital leases were \$57,984.

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, 2009.

Year ending December 31,	<u>Capital Lease Obligation</u>
2010	\$ 46,096
2011	13,839
2012	<u>13,839</u>
Total minimum lease payments	73,774
Less: Amount representing interest	<u>(4,746)</u>
Minimum lease payments	<u>\$ 69,028</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009	Amount Due In One Year
<u>Governmental Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 1,389,250	\$ -	\$ (75,000)	\$ 1,314,250	\$ 80,000
Capital lease obligation	120,134	-	(56,387)	63,747	41,600
Compensated Absences	65,136	35,847	(27,400)	73,583	18,900
Total governmental activities	<u>\$ 1,574,520</u>	<u>\$ 35,847</u>	<u>\$ (158,787)</u>	<u>\$ 1,451,580</u>	<u>\$ 140,500</u>
<u>Business-type Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 230,750	\$ -	\$ (40,000)	\$ 190,750	\$ 40,000
OPWC Loans	590,471	1,246,311	(31,300)	1,805,482	31,300
Capital lease obligation	6,878	-	(1,597)	5,281	1,677
Compensated Absences	66,138	17,156	(17,200)	66,094	17,200
Total business-type activities	<u>\$ 894,237</u>	<u>\$ 1,263,467</u>	<u>\$ (90,097)</u>	<u>\$ 2,067,607</u>	<u>\$ 90,177</u>

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

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

During 2009, the City began a water tower construction and restoration project that is financed through a zero percent interest loan from the Ohio Public Works Commission. The project was not completed at year end, therefore the future debt payments have not yet been determined and are not included in the table below. Debt payments are expected to be made from the Water fund.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 80,000	\$ 62,956	\$ 40,000	\$ 8,688
2011	90,000	59,581	20,000	6,887
2012	90,000	55,981	25,000	6,038
2013	90,000	52,157	90,000	5,824
2014	79,250	58,054	15,750	7,001
2015-2019	330,000	185,857	-	-
2020-2024	300,000	108,645	-	-
2025-2027	255,000	23,951	-	-
Total	<u>\$ 1,314,250</u>	<u>\$ 607,182</u>	<u>\$ 190,750</u>	<u>\$ 34,438</u>

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

Year	Business-Type Activities
	Principal
2010	\$ 31,299
2011	31,300
2012	31,299
2013	31,300
2014	31,299
2015-2019	156,498
2020-2024	150,039
2025-2029	96,137
Total	<u>\$ 559,171</u>

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

As of December 31, 2009, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$9,539,486.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 15 – SHORT TERM OBLIGATIONS

A summary of short-term obligations for the year ended December 31, 2009, is as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2009</u>
<u>Governmental Activities</u>				
2009 Equipment Bond Anticipation Notes	\$ -	\$ 69,000	\$ -	\$ 69,000
2009 Fire Truck Acquisition Bond Anticipation Notes	-	425,000	-	425,000
Total governmental activities	<u>\$ -</u>	<u>\$ 494,000</u>	<u>\$ -</u>	<u>\$ 494,000</u>
<u>Business-type Activities</u>				
2009 Equipment Bond Anticipation Notes	<u>\$ -</u>	<u>\$ 81,000</u>	<u>\$ -</u>	<u>\$ 81,000</u>

During 2009, the City issued two bond anticipation notes. One was issued on April 2, 2009 at a four percent interest rate for \$425,000; the proceeds of which were used to purchase a fire truck. This note is set to mature on April 1, 2010 and the payments will be made from the Fire/EMS fund. The second bond anticipation note was issued on September 10, 2009 at an interest rate of 4.125% for \$150,000; the proceeds of which were used to purchase various equipment. The note is scheduled to mature on September 9, 2010 and the payments will be made from the Refuse Fund, Street Fund, Water Fund, Sewer Fund and Stormwater Fund.

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2009 to December 31, 2009 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 - INTERFUND TRANSFERS AND BALANCES

Transfer from Fund	Transfer to Fund	Amount
Other Governmental	General	\$ 1,635
	Other Governmental	18,642
	Water	3,800
	Sewer	3,800
	Police	2,000
	Fire/EMS	4,800
General	Fire/EMS	34,000
	Other Governmental	64,000
Police	Other Governmental	45,000
		\$ <u>177,677</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the general fund are to provide additional resources for current operations as well as for debt service. The transfers from the police fund to the non-major police pension fund are regular transfers which enables the City to make its annual payment on pension obligations. The transfer from the non-major FEMA grant fund was for the purpose of reimbursing the funds in which the expenditures were incurred for disaster relief services.

The \$11,825 interfund receivable recorded in the general fund resulted from an advance in 2008 to fund the grants fund in order to provide financing until sufficient grant monies are received. This amount is anticipated to be repaid during 2010.

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

Fund balances at December 31, 2009 included the following individual fund deficits:

	Deficit
Fire/EMS Fund	(205,799)
Other Grants	(11,825)

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A 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 City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated August 30, 2010.

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

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

Springfield, Ohio
August 30, 2010



Mary Taylor, CPA
Auditor of State

CITY OF UNION

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2010**