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

Basic Financial Statements  
December 31, 2010  
(with Independent Auditors' Report)





# Dave Yost • Auditor of State

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, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

August 4, 2011

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the of City of Union, Ohio (the City) as of and for the year ended December 31, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general, police, fire/ems, street light, and refuse funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2011, 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.

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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, Schufer, Hachett & Co.*

Springfield, Ohio  
June 28, 2011



**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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The discussion and analysis of the City of Union's financial performance provides an overview of the City's financial activities for the year ended December 31, 2010. 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 2010 are as follows:

- Governmental activities reported a positive net change in net assets of \$490,668 a 7.8% increase.
- Business-type activities reported a negative net change in net assets of \$96,159, a 1.0% decrease. Operating expenses exceeded operating revenues by \$170,905. Although there were no significant increases or decreases in operating revenues or expenses from the prior year, charges for services were not sufficient to cover operating costs.
- The General Fund reported a fund balance of \$514,093 which is a slight decrease from the fund balance of the prior year of \$525,275.
- Actual budget basis revenues were greater than actual budget basis expenditures in the General Fund by \$7,398 which increased the unencumbered cash balance to \$538,866.

**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, 2010  
(Unaudited)

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**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 2010?" 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 stormwater. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

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

*Fund Financial Statements*

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

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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

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

*Proprietary Funds* – City utility services for water, sewer, and stormwater are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net 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, 2010 as compared to December 31, 2009.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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

	2010			2009		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other						
Assets	\$ 5,010,998	840,499	5,851,497	4,891,326	1,015,705	5,907,031
Capital Assets	5,828,611	11,595,677	17,424,288	5,749,027	10,756,012	16,505,039
Total Assets	10,839,609	12,436,176	23,275,785	10,640,353	11,771,717	22,412,070
Liabilities:						
Current and Other						
Liabilities	2,663,234	878,614	3,541,848	2,903,063	195,899	3,098,962
Long-term Liabilities	1,399,997	2,145,510	3,545,507	1,451,580	2,067,607	3,519,187
Total Liabilities	4,063,231	3,024,124	7,087,355	4,354,643	2,263,506	6,618,149
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,082,590	8,720,353	12,802,943	3,877,030	8,673,499	12,550,529
Restricted	1,527,601	-	1,527,601	1,353,654	-	1,353,654
Unrestricted	1,166,187	691,699	1,857,886	1,055,026	834,712	1,889,738
Total Net Assets	\$ 6,776,378	9,412,052	16,188,430	6,285,710	9,508,211	15,793,921

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2010 the City's net assets were \$16.2 million. Of this amount, \$12.8 million was invested in capital assets, net of related debt.

The increase in capital assets reported for 2010 compared to 2009 are attributable to current year additions exceeding depreciation expense and deletions for the year. Governmental capital asset additions included the purchase of a \$30,000 police vehicle and related apparatus pieces, mowers at a cost of \$30,000, mini-excavator at a cost of \$56,000, old pool site renovations totaling \$53,000, 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 2010 are primarily due to the use of short-term bond anticipation notes used to begin the Old Springfield Road Sewer Extension. The increase in the Ohio Public Works Commission loans during 2010 was for the final draw on completing the construction of the new water tower.

The following table shows the changes in net assets for the year ended December 31, 2009 as compared to fiscal year ended December 31, 2010.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

**TABLE 2**  
Change in Net Assets

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>REVENUES:</b>						
Program Revenues:						
Charges for Services	\$ 1,427,580	1,163,296	1,314,705	1,243,520	2,742,285	2,406,816
Operating Grants and Contributions	570,560	600,711	-	-	570,560	600,711
Capital Grants and Contributions	37,500	59,411	107,939	24,658	145,439	84,069
General Revenues:						
Income Taxes	450,708	460,474	-	-	450,708	460,474
Property Taxes	1,582,892	1,693,166	-	-	1,582,892	1,693,166
Grants and Contributions not Restricted	231,156	163,694	-	-	231,156	163,694
Investment Income	2,043	9,534	836	1,907	2,879	11,441
Other Revenue	135,100	204,659	-	19,941	135,100	224,600
Gain (Loss) on Sale of Assets	-	(2,371)	-	2,010	-	(361)
Transfers	-	(7,600)	-	7,600	-	-
Total Revenue	<u>4,437,539</u>	<u>4,344,974</u>	<u>1,423,480</u>	<u>1,299,636</u>	<u>5,861,019</u>	<u>5,644,610</u>
<b>EXPENSES:</b>						
General Government	971,204	817,761	-	-	971,204	817,761
Security of Persons and Property	1,743,771	1,700,221	-	-	1,743,771	1,700,221
Public Health Services	13,457	14,364	-	-	13,457	14,364
Transportation	589,494	697,051	-	-	589,494	697,051
Community Environment	496,967	402,871	-	-	496,967	402,871
Leisure Time Activities	51,239	66,844	-	-	51,239	66,844
Water	-	-	468,225	580,874	468,225	580,874
Sewer	-	-	873,215	777,045	873,215	777,045
Stormwater	-	-	178,199	147,260	178,199	147,260
Interest Expense	80,739	66,990	-	-	80,739	66,990
Total Expenses	<u>3,946,871</u>	<u>3,766,102</u>	<u>1,519,639</u>	<u>1,505,179</u>	<u>5,466,510</u>	<u>5,271,281</u>
Change in Net Assets	490,668	578,872	(96,159)	(205,543)	394,509	373,329
Net Assets, Beginning 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>
Net Assets, End of Year	\$ <u>6,776,378</u>	<u>6,285,710</u>	<u>9,412,052</u>	<u>9,508,211</u>	<u>16,188,430</u>	<u>15,793,921</u>

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(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 \$712,457. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$971,204.

***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 \$170,905.

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>2010</u>		<u>2009</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
General Government	\$ 971,204	(813,532)	817,761	(427,793)
Security of Persons and Property	1,743,771	(712,457)	1,700,221	(889,433)
Public Health Services	13,457	(13,457)	14,364	(7,513)
Transportation	589,494	(223,088)	697,051	(305,236)
Community Environment	496,967	(16,719)	402,871	(210,752)
Leisure Time Activities	51,239	(51,239)	66,844	(34,967)
Interest Expense	<u>80,739</u>	<u>(80,739)</u>	<u>66,990</u>	<u>(66,990)</u>
Total Expenses	\$ <u>3,946,871</u>	<u>(1,911,231)</u>	<u>3,766,102</u>	<u>(1,942,684)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Water	\$ 468,225	17,648	580,874	(134,901)
Sewer	873,215	(169,434)	777,045	(93,948)
Stormwater	<u>178,199</u>	<u>54,791</u>	<u>147,260</u>	<u>(8,152)</u>
Total Expenses	\$ <u>1,519,639</u>	<u>(96,995)</u>	<u>1,505,179</u>	<u>(237,001)</u>

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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**THE CITY'S FUNDS**

*Governmental Funds*

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. As of December 31, 2010 the City's governmental funds reported revenues of \$4.2 million and expenditures of \$4.1 million, with combined fund balances of \$1.5 million. Of the \$1.5 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 non-current assets.

The General Fund is the chief operating fund of the City. At December 31, 2010, unreserved fund balance of the General Fund was \$483,512. Unreserved fund balance represents 52 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 \$379,015, \$254,029 and \$58,655 for the water, sewer and stormwater funds, respectively. The change in net assets was an increase of \$125,987 in the water fund, a decrease of \$169,054 in the sewer fund and a decrease of \$53,092 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 \$171,000 or 13 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 and original budget estimate of \$.9 million. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional income tax revenue. The City is estimating conservatively due to the current economic conditions in the state of Ohio.

Total actual expenditures on the budget basis were \$1.1 million, approximately \$7,000 below revenues. Again, this is due to the City using conservative estimates of income tax revenue. Actual expenditures were approximately \$190,000 below final budget estimates.

**CAPITAL ASSETS AND INFRASTRUCTURE**

At December 31, 2010, the City has invested in land, construction in progress, buildings, improvements and equipment with amounts totaling \$5.8 million and \$11.6 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2010 balances compared to December 31, 2009 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, 2010  
(Unaudited)

**TABLE 4**  
**Capital Assets, December 31**

	2010			2009		
	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	-	128,502	128,502	20,000	1,196,598	1,216,598
Infrastructure	1,230,328	14,451,050	15,681,378	1,096,896	12,184,335	13,281,231
Buildings	2,189,401	3,170,236	5,359,637	2,161,124	3,170,236	5,331,360
Improvements	73,162	27,496	100,658	21,559	-	21,559
Equipment	2,508,175	1,063,713	3,571,888	2,297,649	1,025,966	3,323,615
Vehicles	1,286,488	74,360	1,360,848	1,258,305	74,360	1,332,665
Less: Accumulated						-
Depreciation	(2,734,509)	(7,319,680)	(10,054,189)	(2,382,072)	(6,895,483)	(9,277,555)
Totals	\$ 5,828,611	11,595,677	17,424,288	5,749,027	10,756,012	16,505,039

Overall, capital assets increased approximately \$.9 million from December 31, 2009. 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 2009 from OPWC to complete both projects.

In 2010 the City entered into a lease agreement to purchase a mini-excavator. In 2007 the City entered into a lease agreement to purchase an off road utility truck and in 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. During 2010, the final draw was made against the OPWC loan due to completing the water tower project. During 2010, the City also refinanced the bond anticipations notes for the fire truck and other equipment.

During 2010 the City entered into a new loan agreement with OPWC for the Shaw Road Water Tower Recoating project. In addition the City issued a new bond anticipation note for the Old Springfield Road Sewer Extension project.

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, 2010 the City's legal debt margin was \$9,766,725.



***CITY OF UNION***  
***MONTGOMERY COUNTY, OHIO***  
Management's Discussion and Analysis  
For the Year Ended December 31, 2010  
(Unaudited)

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

**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, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,812,007	750,169	2,562,176
Receivables:			
Taxes	1,702,787	-	1,702,787
Accounts	233,793	83,958	317,751
Special Assessments	760,216	-	760,216
Due from Other Governments	452,380	-	452,380
Prepaid Items	11,143	2,113	13,256
Materials and Supplies Inventory	38,672	4,259	42,931
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,275,566	-	1,275,566
Construction in Progress	-	128,502	128,502
Capital assets, net of accumulated depreciation	<u>4,553,045</u>	<u>11,467,175</u>	<u>16,020,220</u>
 Total Assets	 <u>10,839,609</u>	 <u>12,436,176</u>	 <u>23,275,785</u>
<b>LIABILITIES:</b>			
Accounts Payable	35,461	1,215	36,676
Contracts Payable	-	33,728	33,728
Retainage Payable	-	11,101	11,101
Accrued Wages and Benefits	28,406	6,695	35,101
Due to Other Governments	81,403	19,435	100,838
Accrued Interest Payable	4,421	817	5,238
Deferred Revenue	2,068,663	-	2,068,663
Notes Payable	444,880	805,623	1,250,503
Noncurrent Liabilities:			
Due Within One Year	115,471	134,564	250,035
Due In More Than One Year	<u>1,284,526</u>	<u>2,010,946</u>	<u>3,295,472</u>
 Total Liabilities	 <u>4,063,231</u>	 <u>3,024,124</u>	 <u>7,087,355</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	4,082,590	8,720,353	12,802,943
Restricted for:			
Public Safety	272,739	-	272,739
Transportation	529,134	-	529,134
Capital Projects	136,543	-	136,543
Other Purposes	589,185	-	589,185
Unrestricted	<u>1,166,187</u>	<u>691,699</u>	<u>1,857,886</u>
 Total Net Assets	 <u>\$ 6,776,378</u>	 <u>9,412,052</u>	 <u>16,188,430</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Activities  
For the Year Ended December 31, 2010

<b>Functions/Programs:</b>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Security of Persons and Property	\$ 1,743,771	827,160	204,154	-	(712,457)		(712,457)
Public Health Services	13,457	-	-	-	(13,457)		(13,457)
Leisure Time Activities	51,239	-	-	-	(51,239)		(51,239)
Community Environment	496,967	480,248	-	-	(16,719)		(16,719)
Transportation	589,494	-	366,406	-	(223,088)		(223,088)
General Government	971,204	120,172	-	37,500	(813,532)		(813,532)
Interest and Fiscal Charges	80,739	-	-	-	(80,739)		(80,739)
Total Governmental Activities	<u>3,946,871</u>	<u>1,427,580</u>	<u>570,560</u>	<u>37,500</u>	<u>(1,911,231)</u>		<u>(1,911,231)</u>
<b>Business-Type Activities:</b>							
Water	468,225	485,873	-	-		17,648	17,648
Sewer	873,215	703,781	-	-		(169,434)	(169,434)
Stormwater	178,199	125,051	-	107,939		54,791	54,791
Total Business-Type Activities	<u>1,519,639</u>	<u>1,314,705</u>	<u>-</u>	<u>107,939</u>		<u>(96,995)</u>	<u>(96,995)</u>
Total	\$ <u>5,466,510</u>	<u>2,742,285</u>	<u>570,560</u>	<u>145,439</u>	<u>(1,911,231)</u>	<u>(96,995)</u>	<u>(2,008,226)</u>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Income Taxes					450,708	-	450,708
Property Taxes					1,582,892	-	1,582,892
Grants and Contributions not Restricted to Specific Programs					231,156	-	231,156
Investment Income					2,043	836	2,879
Other Revenue					135,100	-	135,100
Total General Revenues					<u>2,401,899</u>	<u>836</u>	<u>2,402,735</u>
Change in Net Assets					490,668	(96,159)	394,509
Net Assets, Beginning of Year					6,285,710	9,508,211	15,793,921
Net Assets, End of Year					\$ 6,776,378	9,412,052	16,188,430

See accompanying notes to the basic financial statements.

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

Balance Sheet  
Governmental Funds  
December 31, 2010

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 399,230	131,300	267,290	383,273	62,472
Receivables					
Taxes	365,982	717,195	372,775	-	-
Accounts	17,250	681	172,266	-	43,596
Special Assessments	-	-	-	760,216	-
Interfund Receivable	37,449	-	-	-	-
Due from Other Governments	133,596	59,508	30,574	-	-
Prepaid Items	2,835	2,003	5,728	-	475
Materials and Supplies Inventory	27,746	-	-	-	-
	<u>984,088</u>	<u>910,687</u>	<u>848,633</u>	<u>1,143,489</u>	<u>106,543</u>
Total Assets	\$				
<b>LIABILITIES:</b>					
Accounts Payable	\$ -	-	317	-	35,144
Accrued Wages and Benefits	3,329	7,712	10,292	1,528	601
Due to Other Governments	6,697	24,870	20,384	993	2,421
Interfund Payable	-	-	-	-	-
Deferred Revenue	459,969	776,022	575,615	760,216	-
Notes Payable	-	-	397,500	-	4,120
	<u>469,995</u>	<u>808,604</u>	<u>1,004,108</u>	<u>762,737</u>	<u>42,286</u>
Total Liabilities					
<b>FUND BALANCES:</b>					
Reserved for:					
Encumbrances	-	-	-	-	-
Materials and Supplies Inventory	27,746	-	-	-	-
Prepaid Items	2,835	2,003	5,728	-	475
Unreserved, Undesignated:					
General Fund	483,512	-	-	-	-
Special Revenue Funds	-	100,080	(161,203)	380,752	63,782
Capital Projects Funds	-	-	-	-	-
	<u>514,093</u>	<u>102,083</u>	<u>(155,475)</u>	<u>380,752</u>	<u>64,257</u>
Total Fund Balances					
Total Liabilities and Fund Balances	\$ 984,088	910,687	848,633	1,143,489	106,543

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, 2010

Nonmajor Governmental Funds	Total Governmental Funds		
568,442	1,812,007	Total Governmental Fund Balances	\$ 1,459,008
246,835	1,702,787	Amounts reported for governmental activities in the Statement of Net Assets are different because:	
-	233,793	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,828,611
-	760,216	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
-	37,449	Income Taxes	154,744
228,702	452,380	Property Taxes	106,511
102	11,143	Intergovernmental	359,190
10,926	38,672	Charges for Services	189,233
1,055,007	5,048,447	Special Assessments	83,499
-	35,461	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
4,944	28,406	General Obligation Bonds	(1,234,250)
26,038	81,403	Capital Lease Obligation	(66,891)
37,449	37,449	Accrued Interest Payable	(4,421)
390,018	2,961,840	Compensated Absences	(98,856)
43,260	444,880	Net Assets of Governmental Activities	\$ <u>6,776,378</u>
501,709	3,589,439	See accompanying notes to the basic financial statements.	
-	-		
10,926	38,672		
102	11,143		
-	483,512		
443,364	826,775		
98,906	98,906		
553,298	1,459,008		
1,055,007	5,048,447		

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2010

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund
<b>REVENUES:</b>					
Property Taxes	\$ 175,123	742,236	389,890	-	-
Income Taxes	461,450	-	-	-	-
Intergovernmental Revenue	191,427	138,039	66,054	-	-
Charges for Services	83,748	-	189,545	-	480,248
Special Assessments	-	-	-	429,079	-
Fines, Licenses and Permits	34,190	-	-	-	-
Investment Income	530	173	204	506	60
Other Revenue	104,212	4,170	586	6,753	2,452
Total Revenues	<u>1,050,680</u>	<u>884,618</u>	<u>646,279</u>	<u>436,338</u>	<u>482,760</u>
<b>EXPENDITURES:</b>					
Current:					
Security of Persons and Property	-	749,218	519,213	371,375	-
Public Health Services	-	-	-	-	-
Leisure Time Activities	-	-	-	-	-
Community Environment	-	-	-	-	499,971
Transportation	-	-	-	-	-
General Government	769,919	-	-	-	-
Capital Outlay	134,112	41,399	17,539	99,232	-
Debt Service:					
Principal	20,100	19,900	39,567	28,406	6,823
Interest	3,467	14,559	53,636	1,866	1,311
Total Expenditures	<u>927,598</u>	<u>825,076</u>	<u>629,955</u>	<u>500,879</u>	<u>508,105</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>123,082</u>	<u>59,542</u>	<u>16,324</u>	<u>(64,541)</u>	<u>(25,345)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Inception of Capital Lease	-	-	-	55,977	-
Transfers In	-	-	34,000	-	-
Transfers Out	(134,264)	(45,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(134,264)</u>	<u>(45,000)</u>	<u>34,000</u>	<u>55,977</u>	<u>-</u>
Net Change in Fund Balances	(11,182)	14,542	50,324	(8,564)	(25,345)
Fund Balance, Beginning of Year	<u>525,275</u>	<u>87,541</u>	<u>(205,799)</u>	<u>389,316</u>	<u>89,602</u>
Fund Balance, End of Year	<u>\$ 514,093</u>	<u>102,083</u>	<u>(155,475)</u>	<u>380,752</u>	<u>64,257</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, 2010

Nonmajor Governmental Funds	Total Governmental Funds		
		Total Net Change in Fund Balances - Governmental Funds	\$ 110,683
		Amounts reported for governmental activities in the statement of activities are different because:	
258,259	1,565,508	Governmental funds report capital outlays as expenditures.	
-	461,450	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.	
410,538	806,058	Capital Asset Additions	432,021
2,128	755,669	Current Year Depreciation	(352,437)
-	429,079		
-	34,190	Issuance of debt, including capital leases, is an other financing source in governmental funds, but the issuance increases the long-term liability in the statement of net assets	(55,977)
570	2,043		
16,927	135,100	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
688,422	4,189,097	Income Taxes	(10,742)
		Property Taxes	17,384
73,293	1,713,099	Intergovernmental	33,155
10,401	10,401	Charges for Services	172,371
51,417	51,417	Special Assessments	36,270
-	499,971	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.	132,833
443,615	443,615		
-	769,919	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:	
139,734	432,016	Compensated Absences	(25,273)
18,037	132,833	Accrued Interest	380
6,281	81,120		
742,778	4,134,391	Change in Net Assets of Governmental Activities	\$ <u>490,668</u>
(54,356)	54,706	See accompanying notes to the basic financial statements.	
-	55,977		
145,264	179,264		
-	(179,264)		
145,264	55,977		
90,908	110,683		
462,390	1,348,325		
553,298	1,459,008		

**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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 173,232	174,300	175,123	823
Municipal Income Taxes	397,549	400,000	488,608	88,608
Intergovernmental Revenue	144,335	145,225	190,911	45,686
Charges for Services	59,632	60,000	83,748	23,748
Fines, Licenses and Permits	26,979	27,145	32,155	5,010
Investment Income	1,292	1,300	530	(770)
Other Revenue	64,239	64,635	104,039	39,404
Total Revenues	<u>867,258</u>	<u>872,605</u>	<u>1,075,114</u>	<u>202,509</u>
Expenditures:				
Current:				
General Government	1,131,675	1,114,235	921,710	192,525
Debt Service:				
Principal	20,100	20,100	20,100	-
Interest	3,467	3,467	3,467	-
Total Expenditures	<u>1,155,242</u>	<u>1,137,802</u>	<u>945,277</u>	<u>192,525</u>
Excess of Revenues Over (Under) Expenditures	<u>(287,984)</u>	<u>(265,197)</u>	<u>129,837</u>	<u>395,034</u>
Other Financing Sources (Uses):				
Transfers Out	(105,000)	(122,440)	(122,439)	1
Total Other Financing Sources (Uses)	<u>(105,000)</u>	<u>(122,440)</u>	<u>(122,439)</u>	<u>1</u>
Net Change in Fund Balance	(392,984)	(387,637)	7,398	395,035
Fund Balance, Beginning of Year	519,696	519,696	519,696	-
Prior Year Encumbrances Appropriated	11,772	11,772	11,772	-
Fund Balance, End of Year	<u>\$ 138,484</u>	<u>143,831</u>	<u>538,866</u>	<u>395,035</u>

See accompanying notes to the basic financial statements.



**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
Police Fund  
For the Year Ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 747,000	747,000	742,236	(4,764)
Intergovernmental Revenue	121,223	121,223	137,800	16,577
Investment Income	500	500	173	(327)
Other Revenue	-	-	4,170	4,170
<b>Total Revenues</b>	<b>868,723</b>	<b>868,723</b>	<b>884,379</b>	<b>15,656</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Security of Persons and Property	843,630	843,630	813,405	30,225
<b>Debt Service:</b>				
Principal	19,900	19,900	19,900	-
Interest	14,559	14,559	14,559	-
<b>Total Expenditures</b>	<b>878,089</b>	<b>878,089</b>	<b>847,864</b>	<b>30,225</b>
Excess of Revenues Over (Under) Expenditures	(9,366)	(9,366)	36,515	45,881
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(45,000)	(45,000)	(45,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(45,000)</b>	<b>(45,000)</b>	<b>(45,000)</b>	<b>-</b>
Net Change in Fund Balance	(54,366)	(54,366)	(8,485)	45,881
Fund Balance, Beginning of Year	139,011	139,011	139,011	-
Prior Year Encumbrances Appropriated	3,764	3,764	3,764	-
Fund Balance, End of Year	\$ 88,409	88,409	134,290	45,881

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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 414,501	394,000	389,890	(4,110)
Intergovernmental Revenue	67,795	64,442	66,054	1,612
Charges for Services	157,805	150,000	189,545	39,545
Investment Income	210	200	204	4
Other Revenue	-	-	586	586
Total Revenues	<u>640,311</u>	<u>608,642</u>	<u>646,279</u>	<u>37,637</u>
Expenditures:				
Current:				
Security of Persons and Property	691,497	691,497	529,398	162,099
Debt Service:				
Principal	27,500	424,834	469,834	(45,000)
Interest	6,960	6,960	38,555	(31,595)
Total Expenditures	<u>725,957</u>	<u>1,123,291</u>	<u>1,037,787</u>	<u>85,504</u>
Excess of Revenues Over (Under) Expenditures	<u>(85,646)</u>	<u>(514,649)</u>	<u>(391,508)</u>	<u>123,141</u>
Other Financing Sources:				
Proceeds from Sale of Notes	-	397,503	397,503	-
Transfers In	-	34,000	34,000	-
Transfers Out	(20,000)	(22,000)	-	22,000
Total Other Financing Sources	<u>(20,000)</u>	<u>409,503</u>	<u>431,503</u>	<u>22,000</u>
Net Change in Fund Balance	(105,646)	(105,146)	39,995	145,141
Fund Balance, Beginning of Year	213,420	213,420	213,420	-
Prior Year Encumbrances Appropriated	<u>5,407</u>	<u>5,407</u>	<u>5,407</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 113,181</u>	<u>113,681</u>	<u>258,822</u>	<u>145,141</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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 435,000	435,000	429,079	(5,921)
Investment Income	500	500	506	6
Other Revenue	-	-	1,141	1,141
Total Revenues	<u>435,500</u>	<u>435,500</u>	<u>430,726</u>	<u>(4,774)</u>
Expenditures:				
Current:				
Security of Persons and Property	796,909	796,909	471,908	325,001
Total Expenditures	<u>796,909</u>	<u>796,909</u>	<u>471,908</u>	<u>325,001</u>
Net Change in Fund Balances	(361,409)	(361,409)	(41,182)	320,227
Fund Balance, Beginning of Year	423,046	423,046	423,046	-
Prior Year Encumbrances Appropriated	<u>1,409</u>	<u>1,409</u>	<u>1,409</u>	-
Fund Balance, End of Year	<u>\$ 63,046</u>	<u>63,046</u>	<u>383,273</u>	<u>320,227</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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Charges for Services	462,000	482,000	475,635	(6,365)
Investment Income	100	100	60	(40)
Other Revenue	-	-	2,452	2,452
Total Revenues	<u>462,100</u>	<u>482,100</u>	<u>478,147</u>	<u>(3,953)</u>
<b>Expenditures:</b>				
Current:				
Community Environment	517,474	519,751	457,286	62,465
Debt Service:				
Principal	8,700	15,667	15,667	-
Interest	1,300	2,056	2,056	-
Total Expenditures	<u>527,474</u>	<u>537,474</u>	<u>475,009</u>	<u>62,465</u>
Net Change in Fund Balances	(65,374)	(55,374)	3,138	58,512
Fund Balance, Beginning of Year	50,722	50,722	50,722	-
Prior Year Encumbrances Appropriated	<u>32,374</u>	<u>32,374</u>	<u>32,374</u>	-
Fund Balance, End of Year	<u>\$ 17,722</u>	<u>27,722</u>	<u>86,234</u>	<u>58,512</u>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Fund Net Assets  
Proprietary Funds  
December 31, 2010

	Water	Sewer	Stormwater	Total
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 432,544	263,813	53,812	750,169
Accounts Receivable	34,031	39,926	10,001	83,958
Supplies Inventory	-	4,259	-	4,259
Prepaid Items	599	792	722	2,113
<b>Total Current Assets</b>	<b>467,174</b>	<b>308,790</b>	<b>64,535</b>	<b>840,499</b>
<b>Non-current Assets:</b>				
Construction in Progress	128,502	-	-	128,502
Depreciable Capital Assets, net	4,442,665	5,155,775	1,868,735	11,467,175
<b>Total Non-current Assets</b>	<b>4,571,167</b>	<b>5,155,775</b>	<b>1,868,735</b>	<b>11,595,677</b>
<b>Total Assets</b>	<b>5,038,341</b>	<b>5,464,565</b>	<b>1,933,270</b>	<b>12,436,176</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	949	266	-	1,215
Contracts Payable	33,728	-	-	33,728
Retainage Payable	11,101	-	-	11,101
Accrued Salaries Payable	2,716	3,596	383	6,695
Accrued Interest Payable	575	-	242	817
Intergovernmental Payable	8,169	10,239	1,027	19,435
Compensated Absences Payable	7,342	9,655	1,003	18,000
Bond Anticipation Notes Payable	11,330	761,333	32,960	805,623
Issue II Loans Payable	46,834	31,300	-	78,134
Capital Lease Payable	-	-	1,760	1,760
General Obligation Bonds Payable	32,086	-	4,584	36,670
<b>Total Current Liabilities</b>	<b>154,830</b>	<b>816,389</b>	<b>41,959</b>	<b>1,013,178</b>
<b>Long Term Liabilities:</b>				
Compensated Absences Payable	23,579	31,005	3,225	57,809
Issue II Loans Payable	1,340,642	496,571	-	1,837,213
Capital Lease Payable	-	-	1,844	1,844
General Obligation Bonds Payable	53,664	-	60,416	114,080
<b>Total Long Term Liabilities</b>	<b>1,417,885</b>	<b>527,576</b>	<b>65,485</b>	<b>2,010,946</b>
<b>Total Liabilities</b>	<b>1,572,715</b>	<b>1,343,965</b>	<b>107,444</b>	<b>3,024,124</b>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	3,086,611	3,866,571	1,767,171	8,720,353
Unrestricted	379,015	254,029	58,655	691,699
<b>Total Net Assets</b>	<b>3,465,626</b>	<b>4,120,600</b>	<b>1,825,826</b>	<b>9,412,052</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,038,341</b>	<b>5,464,565</b>	<b>1,933,270</b>	<b>12,436,176</b>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2010

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 446,651	679,228	120,542	1,246,421
Tap-In Fees	4,000	2,400	-	6,400
Other Operating Revenue	35,222	22,153	4,509	61,884
<b>Total Operating Revenue</b>	<b>485,873</b>	<b>703,781</b>	<b>125,051</b>	<b>1,314,705</b>
Operating Expenses:				
Personal Services	185,244	419,748	59,499	664,491
Contractual Services	93,585	146,102	20,896	260,583
Supplies and Materials	31,751	94,926	9,662	136,339
Depreciation	146,616	196,580	81,001	424,197
<b>Total Operating Expenses</b>	<b>457,196</b>	<b>857,356</b>	<b>171,058</b>	<b>1,485,610</b>
<b>Operating Income (Loss)</b>	<b>28,677</b>	<b>(153,575)</b>	<b>(46,007)</b>	<b>(170,905)</b>
Non-Operating Revenues (Expenses):				
Interest	400	380	56	836
Grant Revenue	107,939	-	-	107,939
Interest and Fiscal Charges	(6,029)	(679)	(5,503)	(12,211)
Other Non-Operating Expenses	(5,000)	(15,180)	(1,638)	(21,818)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>97,310</b>	<b>(15,479)</b>	<b>(7,085)</b>	<b>74,746</b>
<b>Net Income (Loss)</b>	<b>125,987</b>	<b>(169,054)</b>	<b>(53,092)</b>	<b>(96,159)</b>
<b>Net Assets at Beginning of Year</b>	<b>3,339,639</b>	<b>4,289,654</b>	<b>1,878,918</b>	<b>9,508,211</b>
<b>Net Assets at End of Year</b>	<b>\$ 3,465,626</b>	<b>4,120,600</b>	<b>1,825,826</b>	<b>9,412,052</b>

See accompanying notes to the basic financial statements.

**CITY OF UNION**  
**MONTGOMERY COUNTY, OHIO**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2010

	Water	Sewer	Stormwater	Total
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 480,276	699,265	125,229	1,304,770
Cash Payments to Employees for Services and Benefits	(173,194)	(418,542)	(60,714)	(652,450)
Cash Payments to Suppliers for Goods and Services	(135,071)	(239,689)	(30,697)	(405,457)
<b>Net Cash Provided by Operating Activities</b>	<b>172,011</b>	<b>41,034</b>	<b>33,818</b>	<b>246,863</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Grant Revenue	107,939	-	-	107,939
Other Non-operating expenses	(5,000)	(15,178)	(1,732)	(21,910)
<b>Net Cash Provided (Used) by Noncapital Financing Activities:</b>	<b>102,939</b>	<b>(15,178)</b>	<b>(1,732)</b>	<b>86,029</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(333,638)	(935,472)	(20,042)	(1,289,152)
Proceeds from Loans	164,582	-	-	164,582
Proceeds from Sale of Notes	-	750,003	-	750,003
Principal Paid on Capital Leases	-	-	(1,677)	(1,677)
Principal Paid on Bonds	(35,000)	-	(5,000)	(40,000)
Principal Paid on Notes	(5,170)	(5,170)	-	(10,340)
Principal Paid on Loans	(23,417)	(31,300)	(15,040)	(69,757)
Interest expense	(6,079)	(679)	(5,524)	(12,282)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(238,722)</b>	<b>(222,618)</b>	<b>(47,283)</b>	<b>(508,623)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest	400	380	151	931
<b>Net Cash Provided by Investing Activities</b>	<b>400</b>	<b>380</b>	<b>151</b>	<b>931</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>36,628</b>	<b>(196,382)</b>	<b>(15,046)</b>	<b>(174,800)</b>
Cash and Cash Equivalents Beginning of Year	395,916	460,195	68,858	924,969
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 432,544</b>	<b>263,813</b>	<b>53,812</b>	<b>750,169</b>

*Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:*

Operating Income (Loss)	\$ 28,677	(153,575)	(46,007)	(170,905)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Depreciation	146,616	196,580	81,001	424,197
<b>Changes in Assets and Liabilities</b>				
(Increase) Decrease in Accounts Receivable	252	1,333	178	1,763
(Increase) Decrease in Supplies Inventory	-	(721)	-	(721)
(Increase) Decrease in Prepaid Items	(163)	(335)	(139)	(637)
Increase (Decrease) in Accounts Payable	(2,649)	(3,454)	(675)	(6,778)
Increase (Decrease) in Contracts Payable	(12,772)	-	-	(12,772)
Increase (Decrease) in Accrued Salaries Payable	1,915	(152)	81	1,844
Increase (Decrease) in Intergovernmental Payable	3,008	(262)	(1,589)	1,157
Increase (Decrease) in Compensated Absences Payable	7,127	1,620	968	9,715
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 172,011</b>	<b>41,034</b>	<b>33,818</b>	<b>246,863</b>

**Noncash Capital Financing Activities:**

In fiscal year 2009, the City acquired capital assets through purchases on account of \$25,290

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Union have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its 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, 2010

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

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, 2010

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The other governmental funds of the City account for grants and other resources whose use is restricted 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:

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

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include 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, 2010, but which were levied to finance 2011 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 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, 2010

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2010. 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, 2010.

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 2010 amounted to \$2,043 and \$836 in the governmental funds and proprietary funds, respectively.

Supplies Inventory

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

Internal Balances

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

Capital Assets

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

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

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings	45 years
Land Improvements	45 years
Equipment	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, 2010

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reservations and Designation of Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for supplies inventory 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 Stormwater. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

Interfund Activity

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

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



CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Budgetary Process

All funds, except for agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by the Council at the 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, 2010

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				
	<u>General</u>	<u>Police</u>	<u>Fire/EMS</u>	<u>Street Light</u>	<u>Refuse</u>
GAAP Basis	\$ (11,182)	\$ 14,542	\$ 50,324	\$ (8,564)	\$ (25,345)
Revenue Accruals	24,434	(239)	-	(5,612)	(4,613)
Expenditure Accruals	(17,679)	(22,788)	(407,832)	28,971	33,096
Transfers	11,825	-	-	-	-
Debt Proceeds	-	-	397,503	(55,977)	-
Budget Basis	<u>\$ 7,398</u>	<u>\$ (8,485)</u>	<u>\$ 39,995</u>	<u>\$ (41,182)</u>	<u>\$ 3,138</u>

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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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 \$20,353 and the bank balance was \$176,120. \$176,120 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 \$2,541,823. 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, 2010

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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, 2010, 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 2010 property tax receipts were based are as follows:

Real property:	
Residential/agricultural	\$ 100,938,270
Commercial/industrial	4,364,420
Tangible personal property:	
Public utilities	<u>1,204,210</u>
Total valuation	<u>\$ 106,506,900</u>

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010. 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 2010 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, 2010, 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, 2010 was \$83,958.

A summary of intergovernmental receivables follows:

General Fund	\$	133,596
Special Revenue Funds		
Police Pension		2,429
Police		59,508
Fire/EMS		30,574
State Highway		148,187
Street Maintenance and Repair		10,089
Other Grants		50,000
Total Special Revenue Funds		300,787
Capital Projects Fund		
Street Levy		17,997
Total Intergovernmental Receivable	\$	452,380

CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
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	1,295,566	-	(20,000)	1,275,566
Depreciable capital assets				
Buildings	2,161,124	28,277	-	2,189,401
Equipment	2,297,649	210,526	-	2,508,175
Infrastructure	1,096,896	133,432	-	1,230,328
Improvements	21,559	51,603	-	73,162
Vehicles	1,258,305	28,183	-	1,286,488
Total depreciable capital assets	6,835,533	452,021	-	7,287,554
Less: accumulated depreciation				
Buildings	(338,580)	(48,221)	-	(386,801)
Equipment	(1,612,776)	(155,642)	-	(1,768,418)
Infrastructure	(83,518)	(25,091)	-	(108,609)
Improvements	(279)	(948)	-	(1,227)
Vehicles	(346,919)	(122,535)	-	(469,454)
Total accumulated depreciation	(2,382,072)	(352,437) *	-	(2,734,509)
Depreciable capital assets, net	4,453,461	99,584	-	4,553,045
Governmental Activities Capital Assets, Net	\$ 5,749,027	99,584	(20,000)	\$ 5,828,611

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

General Government	\$ 200,889
Public Safety	7,048
Transportation	144,500
Total Depreciation Expense	<u>\$ 352,437</u>

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 8 - CAPITAL ASSETS (continued)

	Balance 12/31/2009	Additions	Deletions	Balance 12/31/2010
Business Type Activities:				
Non-depreciable capital assets				
Construction in Progress	\$ 1,196,599	128,502	(1,196,599)	\$ 128,502
Depreciable capital assets				
Buildings	3,170,236	-	-	3,170,236
Equipment	1,025,965	37,748	-	1,063,713
Infrastructure	12,184,335	2,266,715	-	14,451,050
Improvements	-	27,496	-	27,496
Vehicles	74,360	-	-	74,360
Total depreciable capital assets	16,454,896	2,331,959	-	18,786,855
Less: accumulated depreciation				
Buildings	(2,176,219)	(61,449)	-	(2,237,668)
Equipment	(644,829)	(78,123)	-	(722,952)
Infrastructure	(4,026,936)	(277,614)	-	(4,304,550)
Improvements	-	(419)	-	(419)
Vehicles	(47,499)	(6,592)	-	(54,091)
Total accumulated depreciation	(6,895,483)	(424,197)	-	(7,319,680)
Depreciable capital assets, net	9,559,413	1,907,762	-	11,467,175
Business Type Activities Capital Assets, Net	\$ 10,756,012	2,036,264	(1,196,599)	\$ 11,595,677

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, 2010

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NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). The 2010 member contribution rates were 10% of their annual covered salary. The 2010 employer contribution rate for local government employer units was 14% of covered payroll. The City's contributions representing 100% of the employer's contributions for the years ending December 31, 2010, 2009 and 2008 were \$161,813, \$151,256 and \$162,301, respectively. The amount paid by the City includes both the employer's contribution as well as the employee's contribution (pick-up) for certain employees.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The City contributions to the plan for the years ended December 31, 2010, 2009 and 2008 were \$66,170, \$71,576 and \$72,455, respectively. The City's contributions include a full pick-up on the police chief. The unpaid contribution for 2010 was \$16,583, or 25% of the required contribution, and is recorded as a liability in the respective funds and statement of net assets. 100% has been contributed for 2009 and 2008.



CITY OF UNION, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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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 2010, the employer contribution allocated to the health care plan was 5.5% of covered payroll from January 1 through February 28, 2010 and 5.0% of covered payroll from March 31 through December 31, 2010. 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 2010, 2009 and 2008 which were used to fund postemployment benefits were \$58,697, \$63,478 and \$81,150, respectively. The actual contribution and the actuarially required contribution amounts are the same for each year.

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, 2010

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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, 2010, 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 2010, 2009 and 2008 that were used to fund postemployment benefits were \$22,895, \$22,439 and \$25,069, respectively. 75% has been contributed for 2010 and 100% has been contributed for 2009 and 2008.

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 \$81,689 at December 31, 2010.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010 was \$92,976.

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 2010 the City renewed their contract with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
General Liability	\$ 5,000,000	no deductible
Police Liability	5,000,000	\$ 2,500
Errors and Omissions	5,000,000	2,500
Automobile	5,000,000	1,000
Property Insurance	8,729,874	1,000
Inland Marine	8,729,874	1,000
Special Property	1,625,263	1,000
Crime	100,000	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, 2010

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 2010, the City made no contributions to the savings account and the account has a balance of \$128,747. 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. In 2010, the City entered into a lease agreement for the purchase of a mini-excavator. 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. Lease payments for the mini-excavator are reflected as public safety expense in the governmental funds on a budgetary basis. The utility truck has been capitalized on the statement of net assets for \$127,661. The ambulance and bucket truck have been capitalized on the statement of net assets for \$249,718. The mini-excavator has been capitalized on the statement of net assets for \$55,977. Principal payments in 2010 for capital leases were \$54,510.

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, 2010.

Year ending December 31,	<u>Capital Lease Obligation</u>
2011	\$ 26,379
2012	26,378
2013	12,540
2014	<u>12,540</u>
Total minimum lease payments	77,837
Less: Amount representing interest	<u>(7,342)</u>
Minimum lease payments	<u>\$ 70,495</u>

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Amount Due</u> <u>In One Year</u>
<u>Governmental Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 1,314,250	\$ -	\$ (80,000)	\$ 1,234,250	\$ 73,330
Capital lease obligation	63,747	55,977	(52,833)	66,891	21,141
Compensated Absences	73,583	49,987	(24,714)	98,856	21,000
Total governmental activities	<u>\$ 1,451,580</u>	<u>\$ 105,964</u>	<u>\$ (157,547)</u>	<u>\$ 1,399,997</u>	<u>\$ 115,471</u>
<u>Business-type Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 190,750	\$ -	\$ (40,000)	\$ 150,750	\$ 36,670
OPWC Loans	1,805,482	164,582	(54,717)	1,915,347	78,134
Capital lease obligation	5,281	-	(1,677)	3,604	1,760
Compensated Absences	66,094	28,667	(18,952)	75,809	18,000
Total business-type activities	<u>\$ 2,067,607</u>	<u>\$ 193,249</u>	<u>\$ (115,346)</u>	<u>\$ 2,145,510</u>	<u>\$ 134,564</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 Stormwater 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 20 years.

During 2010, the City received the remaining amount of the loans from the Ohio Public Works Commission (OPWC) for a water tower construction and restoration project. The loans are non-interest bearing and will be repaid from the Water fund over the next thirty years. Also during 2010, the City began the Shaw Road Water Tank Recoating project that is being financed by OPWC. 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, 2010

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 73,330	\$ 31,430	\$ 36,670	\$ 31,439
2012	95,000	45,943	20,000	12,251
2013	40,920	27,583	79,080	25,723
2014	80,000	39,167	15,000	9,039
2015	80,000	44,169	-	-
2016-2020	315,000	169,582	-	-
2021-2025	375,000	92,445	-	-
2026-2027	175,000	12,257	-	-
Total	<u>\$ 1,234,250</u>	<u>\$ 462,576</u>	<u>\$ 150,750</u>	<u>\$ 78,452</u>

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

Year	Business-Type Activities
	Principal
2011	\$ 78,133
2012	78,132
2013	78,133
2014	78,132
2015	78,133
2016-2020	390,662
2021-2025	377,747
2026-2030	305,460
2031-2035	234,165
2036-2040	210,757
Total	<u>\$ 1,909,454</u>

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

As of December 31, 2010, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$9,766,725.

CITY OF UNION, OHIO  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 15 – SHORT TERM OBLIGATIONS

A summary of short-term obligations for the year ended December 31, 2010, is as follows:

	<u>Balance</u> 12/31/2009	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2010
<u>Governmental Activities</u>				
Equipment Bond Anticipation Notes	\$ 69,000	\$ 47,380	\$ (69,000)	\$ 47,380
Fire Truck Acquisition Bond Anticipation Notes	425,000	397,500	(425,000)	397,500
Total governmental activities	<u>\$ 494,000</u>	<u>\$ 444,880</u>	<u>\$ (494,000)</u>	<u>\$ 444,880</u>
<u>Business-type Activities</u>				
Equipment Bond Anticipation Notes	\$ 81,000	\$ 55,620	\$ (81,000)	\$ 55,620
Old Springfield Road Sewer Extension Notes	-	750,003	-	750,003
Total business-type activities	<u>\$ 81,000</u>	<u>\$ 805,623</u>	<u>\$ (81,000)</u>	<u>\$ 805,623</u>

During 2010, the City issued three bond anticipation notes. One was issued on April 1, 2010 at a 1.9 percent interest rate for \$397,500; the proceeds of which were used to refinance bond anticipation notes issued in 2009 to purchase a fire truck. This note is set to mature on March 10, 2011 and the payments will be made from the Fire/EMS fund. The second bond anticipation note was issued on September 9, 2010 at an interest rate of 3.25% for \$103,000; the proceeds of which were used to refinance bond anticipation notes issued in 2009 to purchase various equipment. The note is scheduled to mature on September 8, 2011 and the payments will be made from the Refuse Fund, Street Fund, Water Fund, Sewer Fund and Stormwater Fund. The third bond anticipation note was issued on March 4, 2010 at an interest rate of 1.48% for \$750,003; the proceeds of which were used to finance Old Springfield Road Sewer Extension Project. The note is scheduled to mature on March 3, 2011 and the payments will be made from the Sewer Fund.

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2010 to December 31, 2010 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, 2010

NOTE 17 - INTERFUND TRANSFERS AND BALANCES

Transfer from Fund	Transfer to Fund	Amount
General	Fire/EMS	34,000
	Other Governmental	100,264
Police	Other Governmental	45,000
		\$ 179,264

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 amount due to the General Fund from the Other Grants Fund (non-major governmental funds) at December 31, 2010 was due to a temporary cash deficit incurred in the Other Grants Fund due to the timing of the expenditures and subsequent grant reimbursement of those expenditures. Reimbursement was received shortly after year-end.

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

*Deficit Fund Balances*

Fund balances at December 31, 2010 included the following individual fund deficit:

Fire/EMS Fund	Deficit (155,475)
---------------	----------------------

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

*Compliance*

Contrary to Ohio Revised Code Section 5705.41, the City had expenditures including outstanding encumbrances that exceeded appropriations in the Water fund by \$164,737.

NOTE 19 – CONTRACTUAL COMMITMENTS

As of December 31, 2010, the City had a contractual commitment for the sanitary sewer project with Balsbaugh Excavating for \$105,101.

NOTE 20 – SUBSEQUENT EVENT

On March 3, 2011, the City issued various purpose general obligation bond anticipation notes in the amount of \$1,128,000 in order to refinance the 2010 outstanding bond anticipation notes.

**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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2011. 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2010-002, which we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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## 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-001.

We noted certain matters that we reported to management of the City in a separate letter dated June 28, 2011.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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, Schufer, Hachett & Co.".

Springfield, Ohio  
June 28, 2011

**Finding Number 2010-001**

Ohio Rev Code Section 5705.41(B) prohibits a subdivision from expending money unless it has been appropriated. As of December 31, 2010, the City had actual expenditures plus outstanding encumbrances that exceeded total appropriations in the water fund by \$164,737.

The City should monitor its budgetary expenditure amounts in comparison with adopted appropriations at the legal level of control as established by the City Council. Appropriation amendments should be passed by the City Council prior to any budgetary expenditure which would exceed the appropriation amounts at the legal level of control, which is at the object level for each fund.

*Management Response: The City will continue to monitor the revenues and expenditures of the City.*

**Finding Number 2010-002**

The City did not properly report reserve for encumbrances on the balance sheet for governmental funds. Fund balance should be reserved at year end for outstanding encumbrances to indicate these resources are not available for appropriation. While the City has a software module that aides in tracking encumbrances, the system's year-end closing process has created difficulties. Therefore, the City chose not to utilize this system for year-end encumbrance purposes.

The City should record a reserve of fund balance at year-end for the amount of outstanding encumbrances less any encumbrances already included in payables or other liabilities.

*Management Response: Management acknowledges this issue and intends on correcting for future years.*



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

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# Dave Yost • Auditor of State

**CITY OF UNION**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 18, 2011**