



Dave Yost • Auditor of State

**CITY OF UNION
MONTGOMERY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Union
Montgomery County
118 North Main Street
Union, Ohio 45322

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, Montgomery County, Ohio, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and Required budgetary comparison schedules*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 23, 2014

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

The discussion and analysis of the City of Union's financial performance provides an overview of the City's financial activities for the year ended December 31, 2013. 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 2013 are as follows:

- Governmental activities reported a change in net position of \$56,067; a 0.7% decrease.
- Business-type activities reported a positive change in net position of \$11,433; a 0.1% increase. Operating expenses exceeded operating revenues by \$2,996. Non-operating revenues and capital grants were sufficient to cover the overall operating shortfall for the year.
- The General Fund reported a fund balance of \$167,474 which was a decrease of \$275,801 from the fund balance reported at the end of the prior year.
- The City entered into a financing and implementation agreement with the Montgomery County Transportation Improvement District (MCTID) to secure financing for the construction of necessary infrastructure to the Global Logistics Air Park to facilitate development within the Park. The total of this project was estimated at \$13.2 million. It was recently announced a significant distribution warehouse would open within the Park and employ over 800 people.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially in 2013?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, liabilities, and deferred inflow/outflow of resources of the City using the accrual basis of accounting, similar to the accounting methods used by private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when cash was received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

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(Unaudited)

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

The City as a Whole

The Statement of Net Position provides a perspective of the City as a whole. Table 1 provides a summary of the City's net position for the year ended December 31, 2013 as compared to December 31, 2012.

TABLE 1
Statement of Net Position, December 31

	2013			2012		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other						
Assets	\$ 4,086,108	1,063,413	5,149,521	4,637,308	947,596	5,584,904
Capital Assets	6,686,374	11,911,016	18,597,390	6,336,039	12,245,524	18,581,563
Total Assets	<u>10,772,482</u>	<u>12,974,429</u>	<u>23,746,911</u>	<u>10,973,347</u>	<u>13,193,120</u>	<u>24,166,467</u>
Deferred Outflow						
of Resources:	<u>5,898,085</u>	-	<u>5,898,085</u>	-	-	-
Liabilities:						
Current and Other						
Liabilities	6,060,398	27,380	6,087,778	483,707	680,858	1,164,565
Long-term Liabilities	<u>1,497,604</u>	<u>2,979,539</u>	<u>4,477,143</u>	<u>1,327,118</u>	<u>2,556,185</u>	<u>3,883,303</u>
Total Liabilities	<u>7,558,002</u>	<u>3,006,919</u>	<u>10,564,921</u>	<u>1,810,825</u>	<u>3,237,043</u>	<u>5,047,868</u>
Deferred Inflow						
of Resources:	<u>1,385,520</u>	-	<u>1,385,520</u>	<u>1,379,410</u>	-	<u>1,379,410</u>
Net Position:						
Net Investment in						
Capital Assets	5,289,652	9,017,211	14,306,863	4,752,639	9,129,409	13,882,048
Restricted	1,991,894	-	1,991,894	1,785,379	-	1,785,379
Unrestricted	<u>445,499</u>	<u>950,299</u>	<u>1,395,798</u>	<u>1,245,094</u>	<u>826,668</u>	<u>2,071,762</u>
Total Net Position	<u>\$ 7,727,045</u>	<u>9,967,510</u>	<u>17,694,555</u>	<u>7,783,112</u>	<u>9,956,077</u>	<u>17,739,189</u>

The amount by which the City's assets exceeded its liabilities is called net position. As of December 31, 2013 the City's overall net position was \$17.7 million. Of this amount, \$14.3 million was invested in capital assets, net of related debt. The increase in net capital assets reported for 2013 compared to 2012 are attributable to current year additions exceeding depreciation expense and deletions for the year as well as the payment of scheduled debt service payments.

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(Unaudited)

The increase in short-term liabilities of the City at the end of 2013 is due to recording a \$5.9 million intergovernmental payable related to the construction project to provide utilities and an access road to the Global Logistics Air Park, which is entirely offset by recording a similar amount in deferred outflow of resources. This increase was partially offset by reclassifying notes payable from short-term obligations to long-term obligations since they were refinanced subsequent to year end to extend the terms past one year after the end of the fiscal year.

The following table shows the changes in net position for the year ended December 31, 2012 as compared to fiscal year ended December 31, 2013.

TABLE 2
Change in Net position

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,177,712	1,271,201	1,307,269	1,350,978	2,484,981	2,622,179
Operating Grants and Contributions	485,624	567,384	-	-	485,624	567,384
Capital Grants and Contributions	86,000	72,643	15,556	180,479	101,556	253,122
General Revenues:						
Income Taxes	546,575	495,591	-	-	546,575	495,591
Property Taxes	1,474,920	1,456,695	-	-	1,474,920	1,456,695
Grants and Contributions not Restricted	308,994	216,996	-	-	308,994	216,996
Investment Income	870	1,473	435	495	1,305	1,968
Other Revenue	86,857	88,787	22,363	-	109,220	88,787
Total Revenue	<u>4,167,552</u>	<u>4,170,770</u>	<u>1,345,623</u>	<u>1,531,952</u>	<u>5,513,175</u>	<u>5,702,722</u>
EXPENSES:						
General Government	900,015	1,097,842	-	-	900,015	1,097,842
Security of Persons and Property	1,778,869	1,599,145	-	-	1,778,869	1,599,145
Public Health Services	13,277	16,549	-	-	13,277	16,549
Transportation	862,490	578,305	-	-	862,490	578,305
Community Environment	508,604	497,252	-	-	508,604	497,252
Leisure Time Activities	104,044	89,439	-	-	104,044	89,439
Water	-	-	514,431	449,447	514,431	449,447
Sewer	-	-	646,632	680,734	646,632	680,734
Stormwater	-	-	173,127	143,361	173,127	143,361
Interest Expense	56,320	71,069	-	-	56,320	71,069
Total Expenses	<u>4,223,619</u>	<u>3,949,601</u>	<u>1,334,190</u>	<u>1,273,542</u>	<u>5,557,809</u>	<u>5,223,143</u>
Change in Net Position	(56,067)	221,169	11,433	258,410	(44,634)	479,579
Net Position, Beginning of Year	<u>7,783,112</u>	<u>7,561,943</u>	<u>9,956,077</u>	<u>9,697,667</u>	<u>17,739,189</u>	<u>17,259,610</u>
Net Position, End of Year	<u>\$ 7,727,045</u>	<u>7,783,112</u>	<u>9,967,510</u>	<u>9,956,077</u>	<u>17,694,555</u>	<u>17,739,189</u>

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Governmental Activities

Total expenses of governmental activities increased by 6.9% over those reported in 2012. The Transportation increase was attributable to an increase in roadway maintenance and materials cost. The increase reported for the Security of Person and Property related to personnel costs, wage increases and health care benefit cost increase. 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 \$1.1 million. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$900,015.

Business-Type Activities

Overall, the City's business-type activities generated \$1.3 million in operating revenues; increased operating costs reported for 2013 resulted in the program expenses associated with all business-type activities exceeding the expense of those activities by \$11,365. Operating costs will fluctuate from year to year depending on the personnel costs as well as general maintenance necessary to run the utilities operations. Non-operating revenues were sufficient to cover the deficit realized in operations.

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

TABLE 3
Total and Net Cost of Program Services

	<u>2013</u>		<u>2012</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 900,015	(760,831)	1,097,842	(979,847)
Security of Persons and Property	1,778,869	(961,763)	1,599,145	(770,043)
Public Health Services	13,277	(8,537)	16,549	(7,828)
Transportation	862,490	(593,824)	578,305	(142,021)
Community Environment	508,604	11,036	497,252	21,874
Leisure Time Activities	104,044	(104,044)	89,439	(89,439)
Interest Expense	<u>56,320</u>	<u>(56,320)</u>	<u>71,069</u>	<u>(71,069)</u>
Total Expenses	<u>\$ 4,223,619</u>	<u>(2,474,283)</u>	<u>3,949,601</u>	<u>(2,038,373)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 514,431	(29,905)	449,447	85,201
Sewer	646,632	36,375	680,734	20,961
Stormwater	<u>173,127</u>	<u>(17,835)</u>	<u>143,361</u>	<u>151,753</u>
Total Expenses	<u>\$ 1,334,190</u>	<u>(11,365)</u>	<u>1,273,542</u>	<u>257,915</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2013
(Unaudited)

THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. As of December 31, 2013 the City's governmental funds reported revenues and other financing sources of \$4.6 million and expenditures and other financing uses of \$4.9 million, with combined fund balances of \$1.4 million. Of the \$1.4 million fund balance, \$1.2 is restricted or committed for specific purposes and cannot be used for general operations.

The General Fund is the chief operating fund of the City. At December 31, 2013, the unassigned fund balance of the General Fund was reported at \$21,229, a decrease of \$385,374 from the unassigned fund balance reported for the prior year. The decrease in unassigned fund balance for the current year resulted from the decrease in the overall fund balance as well as the increase in fund balance assigned for future appropriations.

Enterprise Funds

The City's enterprise funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$511,775, \$368,489 and \$70,035 for the water, sewer and storm water funds, respectively. The changes in net position for the water and storm water funds were decreases of \$11,740 and \$17,812, respectively while the sewer fund reported an increase of \$40,985. Total operating expenses for all proprietary funds were \$1.3 million which was slightly more than the operating revenues reported. Ending unrestricted net position as of December 31, 2013 was 100.0%, 57.2%, and 41.2% of the operating expenses reported for the water, sewer and storm water operations, respectively.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$1.2 million which was \$10,768 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional income and property taxes. The City is estimating conservatively due to the current economic conditions in the state of Ohio.

Total actual expenditures on the budget basis were \$1.5 million which were \$253,477 more than actual budget basis revenues. Actual budgeted expenditures were \$124,797 below the final budget estimates for expenditures.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2013, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$6.7 million and \$11.9 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2013 balances compared to December 31, 2012 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 8.

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(Unaudited)

TABLE 4
Capital Assets, December 31

	2013			2012		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,279,452	-	1,279,452	1,279,452	-	1,279,452
Construction in Progress	-	7,569	7,569	164,713	625	165,338
Infrastructure	2,013,089	16,071,491	18,084,580	1,505,975	16,011,308	17,517,283
Buildings	2,387,527	3,221,382	5,608,909	2,328,355	3,201,790	5,530,145
Improvements	227,311	31,921	259,232	153,213	31,921	185,134
Equipment	2,773,839	1,143,051	3,916,890	2,683,496	1,131,135	3,814,631
Vehicles	1,888,821	167,688	2,056,509	1,721,098	127,504	1,848,602
Less: Accumulated						
Depreciation	(3,883,665)	(8,732,086)	(12,615,751)	(3,500,263)	(8,258,759)	(11,759,022)
Totals	<u>\$ 6,686,374</u>	<u>11,911,016</u>	<u>18,597,390</u>	<u>6,336,039</u>	<u>12,245,524</u>	<u>18,581,563</u>

Overall, capital assets remained relatively unchanged from December 31, 2012 as increases in the governmental activities offset the decrease reported for the business-type activities for the year. The significant capital assets additions reported for the year include, completion of the Concord Farm Walkway project, improvements to City parks, several vehicles, equipment and building improvements.

DEBT ADMINISTRATION

At December 31, 2013 the City reported total debt obligations of \$4.3 million consisting of general obligation bonds, long-term notes payable, OPWC loans payable and capital leases. Governmental activities are responsible for \$1.4 million of the debt obligations including \$152,485 within the next year. Business-type activities are responsible for the remaining \$2.9 million in debt obligations, \$208,330 of which are due within one year.

During 2013, principal payments totaled \$137,298 for the governmental activities on general debt obligations; \$90,000 in general obligations bonds and \$47,298 in capital lease obligations, respectively. Business-type activities reported \$143,190 of principal payment on debt obligations in total; \$30,000 for general obligation bonds, \$105,011 for OPWC loans payable, and \$8,179 for capital lease obligations. The only new long term debt obligation issued during the year resulted from the reclassification of bond anticipation notes payable from short-term obligations to long-term obligations for the portion of the note issue that was subsequently refinanced on a long-term basis.

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, 2013 the City's legal debt margin was approximately \$8.6 million.

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

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CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,435,684	918,694	2,354,378
Receivables:			
Taxes	1,679,671	-	1,679,671
Accounts	210,596	87,204	297,800
Special Assessments	404,771	-	404,771
Intergovernmental	312,407	50,848	363,255
Prepaid Items	9,965	1,972	11,937
Materials and Supplies Inventory	33,014	4,695	37,709
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,279,452	-	1,279,452
Construction in Progress	-	7,569	7,569
Capital assets, net of accumulated depreciation	<u>5,406,922</u>	<u>11,903,447</u>	<u>17,310,369</u>
Total Assets	<u>10,772,482</u>	<u>12,974,429</u>	<u>23,746,911</u>
DEFERRED OUTFLOW OF RESOURCES:			
Amount Payable on TID Project	<u>5,898,085</u>	<u>-</u>	<u>5,898,085</u>
Total Deferred Outflow of Resources	<u>5,898,085</u>	<u>-</u>	<u>5,898,085</u>
LIABILITIES:			
Accounts Payable	63,652	2,711	66,363
Accrued Wages and Benefits	45,138	8,048	53,186
Due to Other Governments	5,939,018	5,194	5,944,212
Accrued Interest Payable	3,390	627	4,017
Notes Payable	9,200	10,800	20,000
Noncurrent Liabilities:			
Due Within One Year	170,085	223,755	393,840
Due In More Than One Year	<u>1,327,519</u>	<u>2,755,784</u>	<u>4,083,303</u>
Total Liabilities	<u>7,558,002</u>	<u>3,006,919</u>	<u>10,564,921</u>
DEFERRED INFLOW OF RESOURCES:			
Property Taxes	<u>1,385,520</u>	<u>-</u>	<u>1,385,520</u>
Total Deferred Inflow of Resources	<u>1,385,520</u>	<u>-</u>	<u>1,385,520</u>
NET POSITION:			
Net Investment in Capital Assets	5,289,652	9,017,211	14,306,863
Restricted for:			
Public Safety Services	551,738	-	551,738
Transportation	585,334	-	585,334
Street Lights	736,474	-	736,474
Refuse	106,523	-	106,523
Other Purposes	11,825	-	11,825
Unrestricted	<u>445,499</u>	<u>950,299</u>	<u>1,395,798</u>
Total Net Position	<u>\$ 7,727,045</u>	<u>9,967,510</u>	<u>17,694,555</u>

See accompanying notes to the basic financial statements.

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CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
Security of Persons and Property	\$ 1,778,869	514,148	302,958	-	(961,763)	-	(961,763)
Public Health Services	13,277	4,740	-	-	(8,537)	-	(8,537)
Leisure Time Activities	104,044	-	-	-	(104,044)	-	(104,044)
Community Environment	508,604	519,640	-	-	11,036	-	11,036
Transportation	862,490	-	182,666	86,000	(593,824)	-	(593,824)
General Government	900,015	139,184	-	-	(760,831)	-	(760,831)
Interest and Fiscal Charges	56,320	-	-	-	(56,320)	-	(56,320)
Total Governmental Activities	4,223,619	1,177,712	485,624	86,000	(2,474,283)	-	(2,474,283)
Business-Type Activities:							
Water	514,431	476,170	-	8,356	(29,905)	-	(29,905)
Sewer	646,632	675,807	-	7,200	36,375	-	36,375
Stormwater	173,127	155,292	-	-	(17,835)	-	(17,835)
Total Business-Type Activities	1,334,190	1,307,269	-	15,556	(11,365)	-	(11,365)
Total	\$ 5,557,809	2,484,981	485,624	101,556	(2,474,283)	(11,365)	(2,485,648)
General Revenues:							
Taxes:							
Income Taxes for General Operations					546,575	-	546,575
Property Taxes, Levied for:							
General Operations					157,803	-	157,803
Security of Persons and Property					1,094,668	-	1,094,668
Transportation					222,449	-	222,449
Grants and Contributions not Restricted to Specific Programs					308,994	-	308,994
Investment Income					870	435	1,305
Other Revenue					86,857	22,363	109,220
Total General Revenues					2,418,216	22,798	2,441,014
Change in Net Position					(56,067)	11,433	(44,634)
Net Position, Beginning of Year					7,783,112	9,956,077	17,739,189
Net Position, End of Year					\$ 7,727,045	9,967,510	17,694,555

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund	Refuse Fund
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 151,634	129,208	188,036	-	96,261
Receivables:					
Taxes	387,895	689,006	362,349	-	-
Accounts	17,005	-	149,742	-	43,849
Special Assessments	34,058	-	-	-	-
Intergovernmental	45,047	63,409	30,690	-	-
Prepaid Items	1,996	3,188	4,242	-	429
Materials and Supplies Inventory	8,149	-	-	-	-
Total Assets	645,784	884,811	735,059	-	140,539
DEFERRED OUTFLOW OF RESOURCES:					
Amount Payable on TID Project	-	-	-	5,898,085	-
Total Assets and Deferred Outflow of Resources	\$ 645,784	884,811	735,059	5,898,085	140,539
LIABILITIES:					
Accounts Payable	\$ 6,161	6,777	5,237	-	35,311
Accrued Wages and Benefits	4,358	11,859	18,322	-	1,527
Intergovernmental Payable	7,117	12,480	12,938	5,898,085	1,027
Notes Payable	-	-	-	-	800
Total Liabilities	17,636	31,116	36,497	5,898,085	38,665
DEFERRED INFLOW OF RESOURCES:					
Property Taxes	145,788	661,040	347,821	-	-
Unavailable Revenue	314,886	91,375	194,960	-	-
Total Deferred Inflow of Resources	460,674	752,415	542,781	-	-
FUND BALANCES:					
Nonspendable	10,145	3,188	4,242	-	429
Restricted	-	98,092	151,539	-	-
Committed	-	-	-	-	101,445
Assigned	136,100	-	-	-	-
Unassigned	21,229	-	-	-	-
Total Fund Balances	167,474	101,280	155,781	-	101,874
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 645,784	884,811	735,059	5,898,085	140,539

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances
 to Net Position of Governmental Activities
 December 31, 2013

Nonmajor Governmental Funds	Total Governmental Funds		
870,545	1,435,684	Total Governmental Fund Balances	1,412,930
240,421	1,679,671	Amounts reported for governmental activities in the Statement of Net Position are different because:	
-	210,596	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	6,686,374
370,713	404,771	Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.	
173,261	312,407	Income Taxes	217,895
110	9,965	Property Taxes	58,437
24,865	33,014	Intergovernmental	280,432
1,679,915	4,086,108	Charges for Services	167,200
-	5,898,085	Special Assessments	404,771
1,679,915	9,984,193	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
10,166	63,652	General Obligation Bonds	(964,250)
9,072	45,138	Long-Term Notes Payable	(294,000)
7,371	5,939,018	Capital Lease Obligations	(129,272)
8,400	9,200	Accrued Interest Payable	(3,390)
35,009	6,057,008	Compensated Absences	(110,082)
230,871	1,385,520	Net Position of Governmental Activities	\$ <u>7,727,045</u>
527,514	1,128,735		
758,385	2,514,255		
24,975	42,979		
861,546	1,111,177		
-	101,445		
-	136,100		
-	21,229		
886,521	1,412,930		
1,679,915	9,984,193		

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund	Refuse Fund
REVENUES:					
Property Taxes	\$ 151,410	685,019	356,798	-	-
Income Taxes	526,186	-	-	-	-
Intergovernmental Revenue	269,459	138,147	67,632	-	-
Charges for Services	98,347	917	178,573	-	519,640
Special Assessments	-	-	-	-	-
Fines, Licenses and Permits	34,805	-	-	-	-
Investment Income	130	94	102	-	47
Other Revenue	43,873	19,409	10,529	-	1,691
	<u>1,124,210</u>	<u>843,586</u>	<u>613,634</u>	<u>-</u>	<u>521,378</u>
Total Revenues					
EXPENDITURES:					
Current:					
Security of Persons and Property	-	746,472	594,474	-	-
Public Health Services	-	-	-	-	-
Leisure Time Activities	103,973	-	-	-	-
Community Environment	-	-	-	-	507,738
Transportation	-	-	-	-	-
General Government	676,333	-	-	-	-
Capital Outlay	475,301	70,511	62,474	-	5,780
Debt Service:					
Principal	20,100	21,150	58,133	-	-
Interest	854	11,866	38,679	-	36
	<u>1,276,561</u>	<u>849,999</u>	<u>753,760</u>	<u>-</u>	<u>513,554</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(152,351)</u>	<u>(6,413)</u>	<u>(140,126)</u>	<u>-</u>	<u>7,824</u>
OTHER FINANCING SOURCES (USES):					
Issuance of Long-term Notes	-	-	294,000	-	-
Transfers In	-	-	32,000	-	-
Transfers Out	(123,450)	(45,000)	-	-	-
	<u>(123,450)</u>	<u>(45,000)</u>	<u>326,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(275,801)	(51,413)	185,874	-	7,824
Fund Balance, Beginning of Year	443,275	152,693	(30,093)	-	94,050
Fund Balance, End of Year	\$ 167,474	101,280	155,781	-	101,874

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, 2013

Nonmajor Governmental Funds	Total Governmental Funds		
239,138	1,432,365	Total Net Change in Fund Balances - Governmental Funds	\$ (220,592)
-	526,186	Amounts reported for governmental activities in the statement of activities are different because:	
447,996	923,234	Governmental funds report capital outlays as expenditures.	
4,740	802,217	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.	
376,701	376,701	Capital Asset Additions	733,737
-	34,805	Current Year Depreciation	(383,402)
497	870	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
11,355	86,857	Income Taxes	20,389
1,080,427	4,183,235	Property Taxes	42,555
		Intergovernmental	(43,069)
		Charges for Services	(42,426)
		Special Assessments	6,868
		Issuance of debt, including long-term notes, is an other financing source in governmental funds, but the issuance increases the long-term liability in the statement of net assets	(294,000)
		Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	137,298
		Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
		Compensated Absences	(13,784)
		Accrued Interest	359
		Change in Net Position of Governmental Activities	\$ <u>(56,067)</u>
424,686	1,765,632		
13,287	13,287		
-	103,973		
-	507,738		
457,209	457,209		
-	676,333		
365,612	979,678		
37,915	137,298		
5,244	56,679		
1,303,953	4,697,827		
(223,526)	(514,592)		
-	294,000		
136,450	168,450		
-	(168,450)		
136,450	294,000		
(87,076)	(220,592)		
973,597	1,633,522		
886,521	1,412,930		

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Balance Sheet
Enterprise Funds
December 31, 2013

	Water	Sewer	Stormwater	Total
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 503,532	354,276	60,886	918,694
Accounts Receivable	39,017	37,256	10,931	87,204
Intergovernmental Receivable	19,500	26,148	5,200	50,848
Supplies Inventory	-	4,695	-	4,695
Prepaid Items	636	746	590	1,972
Total Current Assets	562,685	423,121	77,607	1,063,413
Non-current Assets:				
Construction in Progress	7,569	-	-	7,569
Depreciable Capital Assets, net	4,966,403	4,974,311	1,962,733	11,903,447
Total Non-current Assets	4,973,972	4,974,311	1,962,733	11,911,016
Total Assets	\$ 5,536,657	5,397,432	2,040,340	12,974,429
Liabilities:				
Current Liabilities:				
Accounts Payable	1,479	1,232	-	2,711
Accrued Wages and Benefits	\$ 3,003	4,477	568	8,048
Accrued Interest Payable	441	-	186	627
Due to Other Governments	3,674	627	893	5,194
Compensated Absences Payable	6,750	7,725	950	15,425
Bond Anticipation Notes Payable	2,200	67,200	6,400	75,800
Issue II Loans Payable	67,220	36,123	1,667	105,010
Capital Lease Payable	2,068	4,466	1,786	8,320
General Obligation Bonds Payable	20,000	-	10,000	30,000
Total Current Liabilities	106,835	121,850	22,450	251,135
Long Term Liabilities:				
Compensated Absences Payable	35,563	40,571	4,975	81,109
Issue II Loans Payable	1,540,833	530,509	46,666	2,118,008
Capital Lease Payable	4,453	9,618	3,846	17,917
Long-Term Notes Payable	-	493,000	-	493,000
General Obligation Bonds Payable	15,750	-	30,000	45,750
Total Long Term Liabilities	1,596,599	1,073,698	85,487	2,755,784
Total Liabilities	1,703,434	1,195,548	107,937	3,006,919
Net Position:				
Net Investment in Capital Assets	3,321,448	3,833,395	1,862,368	9,017,211
Unrestricted	511,775	368,489	70,035	950,299
Total Net Position	3,833,223	4,201,884	1,932,403	9,967,510
Total Liabilities and Net Position	\$ 5,536,657	5,397,432	2,040,340	12,974,429

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2013

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 462,729	666,443	132,140	1,261,312
Tap-In Fees	8,356	7,200	-	15,556
Other Operating Revenue	13,441	9,364	23,152	45,957
Total Operating Revenue	484,526	683,007	155,292	1,322,825
Operating Expenses:				
Personal Services	183,782	260,638	48,883	493,303
Contractual Services	111,668	164,381	16,519	292,568
Supplies and Materials	31,407	12,144	23,072	66,623
Depreciation	184,702	206,896	81,729	473,327
Total Operating Expenses	511,559	644,059	170,203	1,325,821
Operating Income (Loss)	(27,033)	38,948	(14,911)	(2,996)
Non-Operating Revenues (Expenses):				
Interest	264	148	23	435
Interest and Fiscal Charges	(2,872)	(2,573)	(2,924)	(8,369)
Property Rental Revenue	17,901	4,462	-	22,363
Change in Net Position	(11,740)	40,985	(17,812)	11,433
Net Position at Beginning of Year	3,844,963	4,160,899	1,950,215	9,956,077
Net Position at End of Year	\$ 3,833,223	4,201,884	1,932,403	9,967,510

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2013

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 483,873	681,816	155,022	1,320,711
Cash Payments to Employees for Services and Benefits	(182,097)	(263,973)	(48,571)	(494,641)
Cash Payments to Suppliers for Goods and Services	(161,143)	(201,098)	(44,639)	(406,880)
Net Cash Provided by Operating Activities	140,633	216,745	61,812	419,190
Cash Flows from Noncapital Financing Activities:				
Property Rental Receipts	17,901	4,462	-	22,363
Net Cash Provided by Noncapital Financing Activities:	17,901	4,462	-	22,363
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(66,942)	(64,308)	(7,569)	(138,819)
Proceeds from Sale of Notes	2,200	560,200	6,400	568,800
Principal Paid on Capital Leases	(2,033)	(4,390)	(1,756)	(8,179)
Principal Paid on Bonds	(20,000)	-	(10,000)	(30,000)
Principal Paid on Notes	(5,280)	(627,280)	(15,360)	(647,920)
Principal Paid on Loans	(67,220)	(36,124)	(1,667)	(105,011)
Interest expense	(2,919)	(11,694)	(2,943)	(17,556)
Net Cash Used in Capital and Related Financing Activities	(162,194)	(183,596)	(32,895)	(378,685)
Cash Flows from Investing Activities:				
Interest	264	148	23	435
Net Cash Provided by Investing Activities	264	148	23	435
Net Increase (Decrease) in Cash and Cash Equivalents	(3,396)	37,759	28,940	63,303
Cash and Cash Equivalents Beginning of Year	506,928	316,517	31,946	855,391
Cash and Cash Equivalents End of Year	\$ 503,532	354,276	60,886	918,694
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (27,033)	38,948	(14,911)	(2,996)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	184,702	206,896	81,729	473,327
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(653)	(1,191)	(270)	(2,114)
(Increase) Decrease in Intergovernmental Receivable	(19,500)	(26,148)	(5,200)	(50,848)
(Increase) Decrease in Supplies Inventory	-	390	-	390
(Increase) Decrease in Prepaid Items	(47)	(47)	152	58
Increase (Decrease) in Accounts Payable	1,479	1,232	-	2,711
Increase (Decrease) in Accrued Salaries Payable	923	755	81	1,759
Increase (Decrease) in Due to Other Governments	(2,686)	(8,408)	(547)	(11,641)
Increase (Decrease) in Compensated Absences Payable	3,448	4,318	778	8,544
Net Cash Provided by Operating Activities:	\$ 140,633	216,745	61,812	419,190

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

TIF Fund – This fund accounts for all transactions relating to the financing, construction and debt service associated with roadway and utility improvements within the TIF district.

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

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

Fiduciary Funds

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

Proprietary Fund Types

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

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

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary 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 (unavailable deferred resources) 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, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the City is thirty-one days after year-end.

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral of amounts payable associated with the infrastructure construction project being managed and recorded by the Montgomery County Transportation Improvement District (MCTID). Financing for the project is provided by a SIB loan from the State of Ohio, through the Montgomery County Port Authority. Once the project is complete, the MCTID will transfer the project to the City in its entirety. The amount recorded as a deferred outflow of resources at December 31, 2013 represents the amount borrowed against the SIB loan for the project as of that date (see Note 18).

In addition to liabilities, the statements of financial position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the City, deferred inflows or resources include property taxes and unavailable revenues. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, special assessments and charges for services. These amounts are recognized as inflows of resources in the period the amounts become available.

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, 2013

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 2013. 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, 2013.

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 2013 amounted to \$870 and \$435 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 included within the nonspendable fund balance classification in the governmental funds category, which indicates that it does not constitute available resources.

Internal Balances

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances". For the year ended December 31, 2013, the City reported no internal balance transactions.

Capital Assets

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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 absences liability is reported on the government-wide financial statements.

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

Accrued Liabilities and Long-Term Obligations

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and claims and judgments that will be paid from the governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment from current-available resources. Long-term loans are recognized as a liability on the fund financial statements when due.

Fund Balance

The City reports classifications of fund equity based on the purpose for which resources were received and the level of constraint placed on the resources in the governmental funds

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of the Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. Through the City’s purchasing policy, the Council has given the Finance Director the authority to constrain monies for intended purposes, which are reported as assigned fund balance.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2013, none of the reported \$2.0 million in restricted net position was restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and storm water. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

Interfund Activity

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

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

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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

During the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 66, *Technical Corrections – 2012*. None of these statements required the City to restate any prior year balances.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government in certain circumstances as well as clarifying the reporting of equity interests in legally separate organizations.

GASB Statement No. 65 reclassifies as deferred outflows of resources or deferred inflows of resources items that were previously reported as assets and liabilities. Items which were previously reported by the City affected by this implementation were limited to reclassifying deferred revenues from a liability account to a component of deferred inflow of resources.

GASB Statement No. 66 changes the requirement to account for risk financing (self-insurance) within the general or internal service funds, eliminates guidance on accounting for operating lease payments that vary from a straight-line basis, changes the determination of the carrying value of purchased loans or group of loans, and modifies the manner in which service fees should be reported on mortgage loans sold.

Pending Standard

In addition, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the City until 2015. Management has not yet determined the impact this new GASB Standard will have on the City's financial statements.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the City's deposits was \$1,041,035 and the bank balance was \$1,161,010. At December 31, 2013, all of the City's bank deposits were 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 \$1,313,343. STAROhio is rated AAAM by Standard and Poor's and comprises 100% of the City's investments.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of the 2012 taxes.

The 2013 real property taxes are levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2013 real property taxes are collected in and intended to finance operations in the subsequent year.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 16; if paid semi-annually, the first payment is due February 16 and the remainder payable by July 13. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes became a lien December 31, 2012, are levied after October 1, 2013, and are collected in the subsequent year along with real property taxes.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2013 was \$18.53 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 98,682,700
Public Utility Tangible Personal Property Assessed Valuation	<u>1,322,980</u>
Total Assessed Valuation	<u>\$100,005,680</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility tangible personal property taxes, as well as outstanding delinquencies which are measurable as of December 31, 2013, and for which there is an enforceable legal claim. On the modified accrual basis, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2013 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue, while on the modified accrual basis of accounting the revenue has been reported as deferred inflow of resources – unavailable.

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, 2013, 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, 2013 were \$87,204.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 1,279,452	-	-	\$ 1,279,452
Construction in Progress	164,713	-	(164,713)	-
Total Non-depreciable capital assets	1,444,165	-	(164,713)	1,279,452
Depreciable capital assets				
Buildings	2,328,355	59,172	-	2,387,527
Equipment	2,683,496	90,343	-	2,773,839
Infrastructure	1,505,975	507,114	-	2,013,089
Improvements	153,213	74,098	-	227,311
Vehicles	1,721,098	167,723	-	1,888,821
Total depreciable capital assets	8,392,137	898,450	-	9,290,587
Less: accumulated depreciation				
Buildings	(486,612)	(52,710)	-	(539,322)
Equipment	(2,068,981)	(119,026)	-	(2,188,007)
Infrastructure	(173,016)	(39,214)	-	(212,230)
Improvements	(9,163)	(7,051)	-	(16,214)
Vehicles	(762,491)	(165,401)	-	(927,892)
Total accumulated depreciation	(3,500,263)	(383,402) *	-	(3,883,665)
Depreciable capital assets, net	4,891,874	515,048	-	5,406,922
Governmental Activities				
Capital Assets, Net	\$ 6,336,039	515,048	(164,713)	\$ 6,686,374

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

General Government	\$ 218,539
Public Safety	7,667
Transportation	157,196
Total Depreciation Expense	<u>\$ 383,402</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 8 - CAPITAL ASSETS (continued)

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013
Business Type Activities:				
Non-depreciable capital assets				
Construction in Progress	\$ 625	7,569	(625)	\$ 7,569
Depreciable capital assets				
Buildings	3,201,790	19,592	-	3,221,382
Equipment	1,131,135	11,916	-	1,143,051
Infrastructure	16,011,308	60,183	-	16,071,491
Improvements	31,921	-	-	31,921
Vehicles	127,504	40,184	-	167,688
Total depreciable capital assets	20,503,658	131,875	-	20,635,533
Less: accumulated depreciation				
Buildings	(2,360,569)	(57,028)	-	(2,417,597)
Equipment	(852,720)	(56,280)	-	(909,000)
Infrastructure	(4,972,830)	(349,089)	-	(5,321,919)
Improvements	(1,797)	(722)	-	(2,519)
Vehicles	(70,843)	(10,208)	-	(81,051)
Total accumulated depreciation	(8,258,759)	(473,327) *	-	(8,732,086)
Depreciable capital assets, net	12,244,899	(341,452)	-	11,903,447
Business Type Activities				
Capital Assets, Net	\$ 12,245,524	(333,883)	(625)	\$ 11,911,016

* - depreciation expense was allocated to business-type activities as follows:

Water	\$ 184,702
Sewer	206,896
Stormwater	81,729
Total Depreciation Expense	<u>\$ 473,327</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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 City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 (employer contributions vest over five years at 20 percent per year).

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TPP and CP Plans. Members of the MDP 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. OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety divisions exist only within the Traditional Plan. The 2013 member contribution rates were 10% of their annual salary for members in state and local classifications. Public safety and law enforcement members contributed at a rate of 12.0% and 12.6%, respectively. Effective January 1, 2014, the member contribution rates for public safety and law enforcement members increased to 12.0% and 13.0% respectively. The City was required to contribute 14% of covered payroll for employees and 18.1% for employees engaged in law enforcement and public safety. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's contributions to the plans for the years ending December 31, 2013, 2012, and 2011 were \$174,030, \$146,501, and \$153,023, respectively; 100% of the required contributions were contributed for all three years. 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 also contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F 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. That report is also available on OP&F's website at www.op-f.org.

Plan members were required to contribute 10.0% of their annual covered salary from January 1, 2013 thru July 1, 2013. From July 2, 2013 thru December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for the years ending December 31, 2013, 2012 and 2011 were \$69,088, \$58,330, and \$62,413, respectively; 100% of the required contributions were contributed for all three years.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contributions rates permitted by 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. The portion of employer contributions allocated to health care for members was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the combined plan was 6.05% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2.0%, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions for 2013, 2012 and 2011 which were used to fund postemployment benefits were \$12,431, \$41,855 and \$43,719, respectively; 100% has been contributed for all three years.

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependent. OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of payroll of active pension members, currently 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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, 2013, the employer contribution allocated to the health care plan was 4.69% of covered payroll for the period January 1, 2013 thru May 31, 2013 and 2.85% of covered payroll for the period June 1, 2013 thru December 31, 2013. 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 2013, 2012 and 2011 that were used to fund postemployment benefits were \$12,815, \$20,182 and \$21,595, respectively; 100% has been contributed for all three years.

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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

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 \$110,182 at December 31, 2013.

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, 2013 was \$96,434.

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 2013 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	9,426,990	1,000
Terrorism	9,426,990	25,000
Inland Marine	9,426,990	1,000
Special Property	1,884,743	1,000
Crime	100,000	no deductible
EDP	102,020	250

Settled claims have not exceeded commercial coverage, nor has there been any reduction in coverage amounts, 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, 2013

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 \$220,000 for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$3,000 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 2013, the City made no contributions to or withdrawals from the savings account and the account has an approximate balance of \$128,968. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

In prior years, the City entered into lease agreements for the purchase of equipment and vehicles. The leases meet the criteria to be classified as capital leases where in both the benefits and risks of ownership were transferred to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the respective funds instead of the functional expenditures reported on a budgetary basis. The ambulance purchased in 2012 has been capitalized on the statement of net position for \$211,645 and the dump truck has been capitalized on the statement of net position for \$209,300. Principal payments in 2013 for capital leases were \$55,477.

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, 2013.

Year ending December 31,	<u>Capital Lease Obligation</u>
2014	\$ 64,128
2015	64,128
2016	<u>36,475</u>
Total minimum lease payments	164,731
Less: Amount representing interest	<u>(9,222)</u>
Minimum lease payments	<u>\$ 155,509</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2012	Additions	Deletions	Balance 12/31/2013	Amount Due In One Year
<u>Governmental Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 1,054,250	\$ -	\$ (90,000)	\$ 964,250	\$ 65,000
Long-term Notes Payable	-	294,000	-	294,000	37,000
Capital lease obligation	176,570	-	(47,298)	129,272	50,485
Compensated Absences	96,298	28,784	(15,000)	110,082	17,600
	<u>\$ 1,327,118</u>	<u>\$ 322,784</u>	<u>\$ (152,298)</u>	<u>\$ 1,497,604</u>	<u>\$ 170,085</u>
Total governmental activities	<u>\$ 1,327,118</u>	<u>\$ 322,784</u>	<u>\$ (152,298)</u>	<u>\$ 1,497,604</u>	<u>\$ 170,085</u>
<u>Business-type Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 105,750	\$ -	\$ (30,000)	\$ 75,750	\$ 30,000
OPWC Loans	2,328,029	-	(105,011)	2,223,018	105,010
Long-term Notes Payable	-	558,000	-	558,000	65,000
Capital lease obligation	34,416	-	(8,179)	26,237	8,320
Compensated Absences	87,990	18,544	(10,000)	96,534	15,425
	<u>\$ 2,556,185</u>	<u>\$ 576,544</u>	<u>\$ (153,190)</u>	<u>\$ 2,979,539</u>	<u>\$ 223,755</u>
Total business-type activities	<u>\$ 2,556,185</u>	<u>\$ 576,544</u>	<u>\$ (153,190)</u>	<u>\$ 2,979,539</u>	<u>\$ 223,755</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 Fund, Fire/EMS Fund, Street Levy Fund, Water Fund and Storm Water Fund. The City's future debt service requirements (principal and interest) for the general obligation bonds are as follows:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 65,000	\$ 44,507	\$ 30,000	\$ 3,700
2015	50,000	41,744	30,000	2,425
2016	57,125	39,619	7,875	1,150
2017	57,125	36,456	7,875	575
2018	60,000	33,294	-	-
2019-2023	340,000	123,944	-	-
2024-2027	335,000	39,244	-	-
Total	<u>\$ 964,250</u>	<u>\$ 358,808</u>	<u>\$ 75,750</u>	<u>\$ 7,850</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The City has obtained interest free loans through the Ohio Public Works Commission over the past several years for various utility projects as listed below:

<u>Project</u>	<u>Year of Loan</u>	<u>Original Loan Amount</u>	<u>Year of Maturity</u>	<u>Debt Service Made From</u>
Rhinehart Rd Sanitary Pump Station	2008	\$ 279,273	2023	Sewer Fund
Phillipsburg-Union Rd. Sanitary Sewer	2008	496,822	2028	Sewer Fund
Sanitary Sewer Lagoon Aeration	2011	144,721	2041	Sewer Fund
Water Tower Construction	2010	1,405,000	2040	Water Fund
Shaw Rd Water Tank Recoating	2011	407,744	2031	Water Fund
Concord West Channel Rehabilitation	2012	50,000	2042	Storm Water Fund

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

<u>Business-Type Activities</u>			
<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2014	\$ 105,010	2019-2023	521,823
2015	105,012	2024-2028	492,763
2016	105,009	2029-2033	327,782
2017	105,012	2034-2038	266,619
2018	105,010	2039-2042	88,978
		Total	<u>\$ 2,223,018</u>

In 2013, the City issued a bond anticipation note (BAN) to refinance three BANs issued in prior years to purchase a fire truck, various pieces of equipment, and to finance the Old Springfield Rd. sewer extension project. The BAN issued to purchase the various pieces of equipment (\$20,000) fully matured in early 2014 and is therefore reported as a short term obligation. The BANs issued to purchase the fire truck (\$294,000) and finance the sewer extension project (\$558,000) matured on March 8, 2014 and were refinanced by the City by issuing a BAN totaling \$750,000; \$257,000 related to the purchase of the fire truck and \$493,000 related to the sewer extension project. As the refinancing of these BANs extended the terms of past one year from the date of the end of the current fiscal year, these BANs were reclassified from short term obligations to long term obligations. While the total value of the BAN outstanding was due in March 2014, only the portion BAN not refinanced with the issuance of the March 2014 BAN (\$37,000 for the fire truck purchase and \$65,000 related to the sewer extension project) is reported as due within one year. The fire truck portion of the BAN is being repaid from the Fire/EMS Fund and the portion of the BAN related to the sewer extension project is repaid from the Sewer Fund.

At December 31, 2013, the City's overall legal debt margin was \$8,608,596 and the unvoted debt margin was \$3,608,312.

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 15 – SHORT TERM OBLIGATIONS

A summary of short-term obligations for the year ended December 31, 2013, is as follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2013</u>
<u>Governmental Activities</u>				
Equipment Bond Anticipation Notes	\$ 22,080	\$ 9,200	\$ (22,080)	\$ 9,200
Fire Truck Acquisition Bond Anticipation Notes	<u>330,500</u>	<u>-</u>	<u>(330,500)</u>	<u>-</u>
Total governmental activities	<u>\$ 352,580</u>	<u>\$ 9,200</u>	<u>\$ (352,580)</u>	<u>\$ 9,200</u>
<u>Business-type Activities</u>				
Equipment Bond Anticipation Notes	\$ 25,920	\$ 10,800	\$ (25,920)	\$ 10,800
Old Springfield Road Sewer Extension Notes	<u>622,000</u>	<u>-</u>	<u>(622,000)</u>	<u>-</u>
Total business-type activities	<u>\$ 647,920</u>	<u>\$ 10,800</u>	<u>\$ (647,920)</u>	<u>\$ 10,800</u>

During 2013, the City issued a BAN to refinance three BANs issued in prior years to purchase a fire truck, various pieces of equipment and finance the Old Springfield Road Sewer Extension Project. The bond anticipation note was issued on March 9, 2013 for \$872,000 at an interest rate of 1.0% and is scheduled to mature on March 7, 2014. The portion of the BAN (\$20,000) related to the purchase of the various pieces of equipment outstanding at December 31, 2013 matured in full in March 2014. As such, this portion of the BAN obligation was reported as a short term obligation within the Street, Street Levy, and Refuse governmental funds, as well as the Water, Sewer and Storm Water enterprise funds.

The portion of the BAN related to the purchase of the fire truck (\$294,000) and financing the sewer extension project (\$558,000) were refinanced, in part, through the issuance of a \$750,000 BAN in March 2014. The refinancing terms resulted in extending repayment past one year from the date of the end of the current fiscal year. As such, this portion of the BAN has been classified as a long term obligation.

NOTE 16 - INTERFUND TRANSFERS AND BALANCES

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the general fund are to provide additional resources for current operations as well as for debt service. The transfers from the police fund to the non-major police pension fund are regular transfers which enables the City to make its annual payment on pension obligations. The City had the following transfers during 2013:

<u>Transfer from Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General	Fire/EMS	32,000
	Other Governmental	91,450
Police	Other Governmental	<u>45,000</u>
		<u>\$ 168,450</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 17 - FEDERAL AND STATE GRANTS

For the period January 1, 2013 to December 31, 2013 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 18 – CONSTRUCTION COMMITMENTS

In September 2013, the City entered into a Financing and Implementation Agreement with the Montgomery County Transportation Improvement District (MCTID) to construct a new roadway for, as well as to provide necessary utilities to, the Global Logistics Air Park intended to support current and future development within the industrial park. Financing for this project was provided by the City, through a State Infrastructure Bank (SIB) loan obtained through the Montgomery County Port Authority, and grants provided by Montgomery County and the State of Ohio. Total estimated cost for the entire project was estimated to be \$13.2 million. The MCTID is responsible for the management and financial accounting associated with the project until deemed completed. At that point, the MCTID will transfer the project assets out of its construction in progress and transfer the completed assets to the City.

As of December 31, 2013 the Montgomery County Port Authority has drawn \$5.9 million on the SIB loan on behalf of the City to pay for construction costs to date. In accordance with the terms of the SIB loan, the amortization schedule will not be sent and subsequent payment will not be due, until the project is completed and the loan has been closed out. As such, the City has reported the \$5.9 million drawn on the SIB loan as of the end of 2013 as an intergovernmental payable with an offsetting deferred outflow of resources representing amounts are currently due for payment. In addition, during 2013 the City expended \$50,848 for preliminary engineering services for running the utilities to the site. The MCTID reimbursed the City for these project expenses in 2014. Therefore, an intergovernmental receivable was recorded in the water, sewer and storm water funds for \$19,500, \$26,148, and \$5,200, respectively.

NOTE 19 – SUBSEQUENT EVENTS

On March 7, 2014, the City issued a various purpose general obligation bond anticipation note in the amount of \$750,000 (1.58 percent fixed rate) in order to refinance the 2013 outstanding bond anticipation notes associated with the fire truck purchase and the Old Springfield Rd. sewer extension. The 2014 note has a maturity date of March 6, 2015.

In May 2014, it was officially announced that a large distribution warehouse would occupy the building currently being built in the Global Logistics Air Park and would employ at least 800 individuals. While the actual impact of this employer on the City's income tax revenue cannot be accurately projected at this time, it is expected to be significant for the City.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 144,430	144,430	156,863	12,433
Municipal Income Taxes	475,000	515,000	527,745	12,745
Intergovernmental Revenue	180,265	289,010	269,489	(19,521)
Charges for Services	35,220	96,422	98,347	1,925
Fines, Licenses and Permits	12,510	34,250	34,935	685
Investment Income	45	120	122	2
Other Revenue	45,717	125,153	127,652	2,499
Total Revenues	893,187	1,204,385	1,215,153	10,768
Expenditures:				
Current:				
General Government	1,065,646	1,327,993	1,216,196	111,797
Debt Service:				
Principal	20,100	20,100	20,100	-
Interest	854	854	854	-
Total Expenditures	1,086,600	1,348,947	1,237,150	111,797
Excess of Revenues Over (Under) Expenditures	(193,413)	(144,562)	(21,997)	122,565
Other Financing Sources (Uses):				
Transfers Out	(168,000)	(244,450)	(231,450)	13,000
Total Other Financing Sources (Uses)	(168,000)	(244,450)	(231,450)	13,000
Net Change in Fund Balance	(361,413)	(389,012)	(253,447)	135,565
Fund Balance, Beginning of Year - Restated	382,321	382,321	382,321	-
Prior Year Encumbrances Appropriated	8,000	8,000	8,000	-
Fund Balance, End of Year	\$ 28,908	1,309	136,874	135,565

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 650,000	650,000	709,325	59,325
Intergovernmental Revenue	125,920	125,920	138,359	12,439
Charges for Services	35	35	917	882
Investment Income	5	5	94	89
Other Revenue	23,468	23,468	19,409	(4,059)
Total Revenues	<u>799,428</u>	<u>799,428</u>	<u>868,104</u>	<u>68,676</u>
Expenditures:				
Current:				
Security of Persons and Property	838,034	836,534	816,868	19,666
Debt Service:				
Principal	21,150	21,150	21,150	-
Interest	11,866	11,866	11,866	-
Total Expenditures	<u>871,050</u>	<u>869,550</u>	<u>849,884</u>	<u>19,666</u>
Excess of Revenues Over (Under) Expenditures	<u>(71,622)</u>	<u>(70,122)</u>	<u>18,220</u>	<u>88,342</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(45,000)</u>	<u>(46,500)</u>	<u>(45,000)</u>	<u>1,500</u>
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(46,500)</u>	<u>(45,000)</u>	<u>1,500</u>
Net Change in Fund Balance	(116,622)	(116,622)	(26,780)	89,842
Fund Balance, Beginning of Year	<u>122,312</u>	<u>122,312</u>	<u>122,312</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,690</u>	<u>5,690</u>	<u>95,532</u>	<u>89,842</u>

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire/EMS Fund
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 337,000	337,000	369,365	32,365
Intergovernmental Revenue	63,000	63,000	67,632	4,632
Charges for Services	170,000	170,000	178,573	8,573
Investment Income	70	70	102	32
Other Revenue	20,286	20,286	10,529	(9,757)
Total Revenues	<u>590,356</u>	<u>590,356</u>	<u>626,201</u>	<u>35,845</u>
Expenditures:				
Current:				
Security of Persons and Property	718,964	717,964	660,559	57,405
Debt Service:				
Principal	327,750	327,750	327,750	-
Interest	76,836	76,836	76,697	139
Total Expenditures	<u>1,123,550</u>	<u>1,122,550</u>	<u>1,065,006</u>	<u>57,544</u>
Excess of Revenues Over (Under) Expenditures	<u>(533,194)</u>	<u>(532,194)</u>	<u>(438,805)</u>	<u>93,389</u>
Other Financing Sources (Uses):				
Proceeds from Note Issuance	294,000	-	294,000	294,000
Transfers In	32,000	-	32,000	32,000
Transfers Out	(20,000)	(21,000)	-	21,000
Total Other Financing Sources (Uses)	<u>306,000</u>	<u>(21,000)</u>	<u>326,000</u>	<u>347,000</u>
Net Change in Fund Balance	(227,194)	(553,194)	(112,805)	440,389
Fund Balance, Beginning of Year	<u>244,108</u>	<u>244,108</u>	<u>244,108</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 16,914</u>	<u>(309,086)</u>	<u>131,303</u>	<u>440,389</u>

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Refuse Fund
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Charges for Services	508,980	508,980	520,292	11,312
Investment Income	20	20	47	27
Other Revenue	1,000	1,000	1,691	691
Total Revenues	510,000	510,000	522,030	12,030
Expenditures:				
Current:				
Community Environment	568,000	568,000	505,633	62,367
Debt Service:				
Principal	9,000	9,000	8,960	40
Interest	1,000	1,000	669	331
Total Expenditures	578,000	578,000	515,262	62,738
Excess of Revenues Over (Under) Expenditures	(68,000)	(68,000)	6,768	74,768
Other Financing Uses:				
Transfers Out	(1,000)	(1,000)	-	1,000
Net Change in Fund Balances	(69,000)	(69,000)	6,768	75,768
Fund Balance, Beginning of Year	87,776	87,776	87,776	-
Fund Balance, End of Year	\$ 17,776	17,776	94,544	76,768

See accompanying notes to the required supplementary information.

CITY OF UNION, OHIO
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2013

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

All funds, except for agency funds, are legally required to be budgeted and appropriated before any expenditure may be made out of the respective funds. For 2013, the TIF Fund did not realize any cash receipts, disbursements or encumbrances and therefore the City did not include this fund within its budget receipts or appropriations. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by the Council at the object level for all funds.

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

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

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

Restatement of Prior Year Budgetary Fund Balance

In prior years, the budgetary fund balance reported in the budgetary comparison schedules included allocation of outside cash accounts which did not represent available resources on the budgetary basis. As a result, it was necessary to restate the beginning budgetary fund balances for the budgetary comparison schedules presented for the current year as follows:

	<u>General</u>	<u>Police</u>	<u>Fire/EMS</u>	<u>Refuse</u>
Budgetary Ending Fund Balance				
Previously Reported	\$ 303,610	\$ 158,973	\$ 325,255	\$ 113,255
Allocation of Outside Cash Accounts				
Not Available on Budget Basis	<u>78,711</u>	<u>(36,661)</u>	<u>(81,147)</u>	<u>(25,479)</u>
Adjusted Budgetary Fund Balance				
as of January 1, 2013	<u>\$ 382,321</u>	<u>\$ 122,312</u>	<u>\$ 244,108</u>	<u>\$ 87,776</u>

CITY OF UNION, OHIO
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2013

Budget to GAAP Reconciliation

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 Schedule 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses (budget basis) rather than as restricted, committed, or assigned fund balance (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The Parks and Recreation fund is combined with the General Fund for reporting purposes as it has no restricted or committed revenue sources, however, it is legally required to have a separate budget adopted and therefore not combined with the General Fund on the budget basis.

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

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

	General	Police	Fire/EMS	Refuse
GAAP Basis	\$ (275,801)	\$ (51,413)	\$ 185,874	\$ 7,824
Revenue Accruals	7,172	24,518	12,567	652
Expenditure Accruals	13,119	115	(311,246)	(1,708)
Combined Funds with Legally Adopted Separate Budgets	2,063	-	-	-
Budget Basis	\$ (253,447)	\$ (26,780)	\$ (112,805)	\$ 6,768

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Union
Montgomery County
118 North Main Street
Union, Ohio 45322

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, Montgomery County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 23, 2014



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
NOVEMBER 20, 2014**