
City of Union
Montgomery County, Ohio

Basic Financial Statements

December 31, 2011

(with Independent Auditors' Report)



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Union, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

August 17, 2012

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TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis.....	3-10
Basic Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Police Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Fire/EMS Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Street Light Fund.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – Refuse Fund.....	21
Statement of Fund Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	23
Statement of Cash Flows – Proprietary Funds.....	24
Notes to the Basic Financial Statements.....	25-49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Schedule of Prior Year Audit Findings	52

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the of City of Union, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the general, police, fire/ems, street light, and refuse funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As noted in Note 20 to the basic financial statements, during 2011 the City implemented the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as well as performed a correction of an error related to prior years.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 15, 2012

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(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, 2011. 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 2011 are as follows:

- Governmental activities reported a positive net change in net assets of \$427,867, a 6.0% increase.
- Business-type activities reported a positive change in net assets of \$285,615, a 3.0% increase. Operating expenses exceeded operating revenues by \$67,147. Although there were no significant increases or decreases in operating revenues or expenses from the prior year, charges for services were not sufficient to cover operating costs.
- The General Fund reported a fund balance of \$656,369 which was an increase of \$119,673 from the fund balance of the prior year of \$536,696.
- Actual budget basis revenues were greater than actual budget basis expenditures in the General Fund by \$140,929 which increased the unencumbered cash balance to \$679,795.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially in 2011?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities of the City using the accrual basis of accounting, similar to the accounting methods used by private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when cash was received or paid.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

Proprietary Funds – City utility services for water, sewer, and stormwater are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Assets and the Statement of Activities and reported in much the same manner as 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".

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(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 Assets provides a perspective of the City as a whole.

Table 1 provides a summary of the City's net assets for the year ended December 31, 2011 as compared to December 31, 2010.

TABLE 1
Statement of Net Assets, December 31

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities (Restated)	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 4,718,725	750,414	5,469,139	5,010,998	840,499	5,851,497
Capital Assets	<u>6,265,916</u>	<u>12,295,396</u>	<u>18,561,312</u>	<u>5,828,611</u>	<u>11,595,677</u>	<u>17,424,288</u>
Total Assets	<u>10,984,641</u>	<u>13,045,810</u>	<u>24,030,451</u>	<u>10,839,609</u>	<u>12,436,176</u>	<u>23,275,785</u>
Liabilities:						
Current and Other Liabilities	1,967,644	824,176	2,791,820	2,663,234	878,614	3,541,848
Long-term Liabilities	<u>1,455,054</u>	<u>2,523,967</u>	<u>3,979,021</u>	<u>1,399,997</u>	<u>2,145,510</u>	<u>3,545,507</u>
Total Liabilities	<u>3,422,698</u>	<u>3,348,143</u>	<u>6,770,841</u>	<u>4,063,231</u>	<u>3,024,124</u>	<u>7,087,355</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,486,731	9,118,356	13,605,087	4,082,590	8,720,353	12,802,943
Restricted	1,816,328	-	1,816,328	1,885,299	-	1,885,299
Unrestricted	<u>1,258,884</u>	<u>579,311</u>	<u>1,838,195</u>	<u>1,166,187</u>	<u>691,699</u>	<u>1,857,886</u>
Total Net Assets	<u>\$ 7,561,943</u>	<u>9,697,667</u>	<u>17,259,610</u>	<u>7,134,076</u>	<u>9,412,052</u>	<u>16,188,430</u>

The amount by which the City's assets exceeded its liabilities is called net assets. As of December 31, 2011 the City's net assets were \$17.3 million. Of this amount, \$13.6 million was invested in capital assets, net of related debt.

The increase in capital assets reported for 2011 compared to 2010 are attributable to current year additions exceeding depreciation expense and deletions for the year. Governmental capital asset additions included the purchase of a \$212,000 ambulance, a dump truck at a cost of \$209,000, and various other improvements or acquisition of equipment and vehicles. The increase reported for business-type activities capital assets for the year was due primarily to the construction of the Shaw Road water tower, the Maple Garden Parkgrove Water Main and the Waste Water Treatment Plant Lagoon Aeration project.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Decreases reported in the short-term liabilities of the City at the end of 2011 are primarily due to paying off and refinancing short-term bond anticipation notes used to finance the Old Springfield Road Sewer Extension. The increase in the Ohio Public Works Commission loans during 2011 was for the loan used to begin the Lagoon Aeration project.

The following table shows the changes in net assets for the year ended December 31, 2010 as compared to fiscal year ended December 31, 2011.

TABLE 2
Change in Net Assets

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u> <u>(Restated)</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u> <u>(Restated)</u>
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,234,985	1,785,278	1,333,506	1,314,705	2,568,491	3,099,983
Operating Grants and Contributions	581,408	570,560	-	-	581,408	570,560
Capital Grants and Contributions	61,912	37,500	381,105	107,939	443,017	145,439
General Revenues:						
Income Taxes	561,899	450,708	-	-	561,899	450,708
Property Taxes	1,536,149	1,582,892	-	-	1,536,149	1,582,892
Grants and Contributions not Restricted	247,728	231,156	-	-	247,728	231,156
Investment Income	1,991	2,043	290	836	2,281	2,879
Other Revenue	27,741	135,100	-	-	27,741	135,100
Total Revenue	<u>4,253,813</u>	<u>4,795,237</u>	<u>1,714,901</u>	<u>1,423,480</u>	<u>5,968,714</u>	<u>6,218,717</u>
EXPENSES:						
General Government	922,464	971,204	-	-	922,464	971,204
Security of Persons and Property	1,592,605	1,743,771	-	-	1,592,605	1,743,771
Public Health Services	10,663	13,457	-	-	10,663	13,457
Transportation	641,438	589,494	-	-	641,438	589,494
Community Environment	499,465	496,967	-	-	499,465	496,967
Leisure Time Activities	87,287	51,239	-	-	87,287	51,239
Water	-	-	434,473	468,225	434,473	468,225
Sewer	-	-	816,770	873,215	816,770	873,215
Stormwater	-	-	178,043	178,199	178,043	178,199
Interest Expense	72,024	80,739	-	-	72,024	80,739
Total Expenses	<u>3,825,946</u>	<u>3,946,871</u>	<u>1,429,286</u>	<u>1,519,639</u>	<u>5,255,232</u>	<u>5,466,510</u>
Change in Net Assets	427,867	848,366	285,615	(96,159)	713,482	752,207
Net Assets, Beginning of Year, Restated	<u>7,134,076</u>	<u>6,285,710</u>	<u>9,412,052</u>	<u>9,508,211</u>	<u>16,546,128</u>	<u>15,793,921</u>
Net Assets, End of Year	<u>\$ 7,561,943</u>	<u>7,134,076</u>	<u>9,697,667</u>	<u>9,412,052</u>	<u>17,259,610</u>	<u>16,546,128</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

Governmental Activities

The two functions with the largest expenditures are Security of Persons and Property and General Government. Security of Persons and Property includes the Divisions of Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, the Public Safety Division receives property tax revenues to cover net expenses of \$794,786. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$922,464.

Business-Type Activities

Overall, the City's business-type activities generated \$1.3 million in operating revenues; however, the City still experienced an operating loss of \$67,147.

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>2011</u>		<u>2010</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service (Restated)</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 922,464	(729,897)	971,204	(813,532)
Security of Persons and Property	1,592,605	(794,786)	1,743,771	(354,759)
Public Health Services	10,663	(10,663)	13,457	(13,457)
Transportation	641,438	(271,256)	589,494	(223,088)
Community Environment	499,465	18,272	496,967	(16,719)
Leisure Time Activities	87,287	(87,287)	51,239	(51,239)
Interest Expense	<u>72,024</u>	<u>(72,024)</u>	<u>80,739</u>	<u>(80,739)</u>
Total Expenses	\$ <u>3,825,946</u>	<u>(1,947,641)</u>	<u>3,946,871</u>	<u>(1,553,533)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 434,473	293,659	468,225	17,648
Sewer	816,770	19,084	873,215	(169,434)
Stormwater	<u>178,043</u>	<u>(27,418)</u>	<u>178,199</u>	<u>54,791</u>
Total Expenses	\$ <u>1,429,286</u>	<u>285,325</u>	<u>1,519,639</u>	<u>(96,995)</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(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, 2011 the City's governmental funds reported revenues and other financing sources of \$4.8 million and expenditures and other financing uses of \$4.6 million, with combined fund balances of \$1.7 million. Of the \$1.7 million fund balance, \$1.2 is restricted by outside funding sources and cannot be used for general operations.

The General Fund is the chief operating fund of the City. At December 31, 2011, the unassigned fund balance of the General Fund was \$628,160. Unassigned fund balance represents 67 percent of total General Fund expenditures.

Proprietary Funds

The City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net assets at the end of the year amounted to \$291,920, \$226,068 and \$61,323 for the water, sewer and stormwater funds, respectively. The change in net assets was an increase of \$293,839 in the water fund, an increase of \$19,170 in the sewer fund and a decrease of \$27,394 in the stormwater fund. Total operating expenses for all proprietary funds were \$1.4 million which was more than operating revenues of \$1.3 million, by approximately \$67,000 or 5 percent of operating revenues.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$1.1 million as compared to the final and original budget estimate of \$.9 million. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional income tax and intergovernmental revenue. The City is estimating conservatively due to the current economic conditions in the state of Ohio.

Total actual expenditures on the budget basis were \$.8 million, approximately \$290,000 below revenues. Actual expenditures were approximately \$200,000 below final budget estimates.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2011, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$6.3 million and \$12.3 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2011 balances compared to December 31, 2010 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 8.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

TABLE 4
Capital Assets, December 31

	2011			2010		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,279,452	-	1,279,452	1,275,566	-	1,275,566
Construction in Progress	49,483	20,715	70,198	-	128,502	128,502
Infrastructure	1,421,771	15,626,774	17,048,545	1,230,328	14,451,050	15,681,378
Buildings	2,223,032	3,170,236	5,393,268	2,189,401	3,170,236	5,359,637
Improvements	120,027	31,921	151,948	73,162	27,496	100,658
Equipment	2,584,051	1,094,530	3,678,581	2,508,175	1,063,713	3,571,888
Vehicles	1,693,327	127,504	1,820,831	1,286,488	74,360	1,360,848
Less: Accumulated Depreciation	(3,105,227)	(7,776,284)	(10,881,511)	(2,734,509)	(7,319,680)	(10,054,189)
Totals	\$ 6,265,916	12,295,396	18,561,312	5,828,611	11,595,677	17,424,288

Overall, capital assets increased approximately \$1.1 million from December 31, 2010. The increase in capital assets related primarily to the purchase of an ambulance, a dump truck and construction of the Maple Garden Parkgrove Water Main and the Waste Water Treatment Plant Lagoon Aeration project.

DEBT ADMINISTRATION

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

In 2011, the City entered into lease agreements to purchase an ambulance and a dump truck. In 2010 the City entered into a lease agreement to purchase a mini-excavator. In 2007 the City entered into a lease agreement to purchase an off road utility truck.

During 2009 the City entered into a new loan agreement with the Ohio Public Works Commission to finance the water tower project and issued two Bond Anticipation Notes for the purchase of a fire truck and other equipment. During 2010, the final draw was made against the OPWC loan due to completing the water tower project. During 2011, the City also refinanced the bond anticipations notes for the fire truck and other equipment and the Old Springfield Road Sewer Extension project.

During 2010 the City entered into a loan agreement with OPWC for the Shaw Road Water Tower Recoating project.

During 2011, the City entered into a new loan agreement with OPWC for the Waste Water Treatment Plant Lagoon Aeration Project.

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on the total assessed value of real and personal property. As of December 31, 2011 the City's legal debt margin was \$9,908,225.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2011
(Unaudited)

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

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 2,002,888	656,748	2,659,636
Receivables:			
Taxes	1,725,710	-	1,725,710
Accounts	206,149	87,391	293,540
Special Assessments	387,445	-	387,445
Due from Other Governments	340,318	-	340,318
Prepaid Items	8,523	1,915	10,438
Materials and Supplies Inventory	47,692	4,360	52,052
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,279,452	-	1,279,452
Construction in Progress	49,483	20,715	70,198
Capital assets, net of accumulated depreciation	<u>4,936,981</u>	<u>12,274,681</u>	<u>17,211,662</u>
Total Assets	<u>10,984,641</u>	<u>13,045,810</u>	<u>24,030,451</u>
LIABILITIES:			
Accounts Payable	35,657	5,454	41,111
Contracts Payable	-	67,400	67,400
Accrued Wages and Benefits	31,694	5,327	37,021
Due to Other Governments	71,318	16,658	87,976
Accrued Interest Payable	4,093	757	4,850
Deferred Revenue	1,425,462	-	1,425,462
Notes Payable	399,420	728,580	1,128,000
Noncurrent Liabilities:			
Due Within One Year	116,340	119,801	236,141
Due In More Than One Year	<u>1,338,714</u>	<u>2,404,166</u>	<u>3,742,880</u>
Total Liabilities	<u>3,422,698</u>	<u>3,348,143</u>	<u>6,770,841</u>
NET ASSETS:			
Invested in capital assets, net of related debt	4,486,731	9,118,356	13,605,087
Restricted for:			
Public Safety	276,309	-	276,309
Transportation	515,955	-	515,955
Capital Projects	104,411	-	104,411
Street Lights	807,805	-	807,805
Refuse	85,706		
Other Purposes	26,142		26,142
Unrestricted	<u>1,258,884</u>	<u>579,311</u>	<u>1,838,195</u>
Total Net Assets	<u>\$ 7,561,943</u>	<u>9,697,667</u>	<u>17,173,904</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Security of Persons and Property	\$ 1,592,605	586,593	211,226	-	(794,786)		(794,786)
Public Health Services	10,663	-	-	-	(10,663)		(10,663)
Leisure Time Activities	87,287	-	-	-	(87,287)		(87,287)
Community Environment	499,465	517,737	-	-	18,272		18,272
Transportation	641,438	-	370,182	-	(271,256)		(271,256)
General Government	922,464	130,655	-	61,912	(729,897)		(729,897)
Interest and Fiscal Charges	72,024	-	-	-	(72,024)		(72,024)
Total Governmental Activities	<u>3,825,946</u>	<u>1,234,985</u>	<u>581,408</u>	<u>61,912</u>	<u>(1,947,641)</u>		<u>(1,947,641)</u>
Business-Type Activities:							
Water	434,473	509,829	-	218,303		293,659	293,659
Sewer	816,770	691,133	-	144,721		19,084	19,084
Stormwater	178,043	132,544	-	18,081		(27,418)	(27,418)
Total Business-Type Activities	<u>1,429,286</u>	<u>1,333,506</u>	<u>-</u>	<u>381,105</u>		<u>285,325</u>	<u>285,325</u>
Total	\$ <u>5,255,232</u>	<u>2,568,491</u>	<u>581,408</u>	<u>443,017</u>	<u>(1,947,641)</u>	<u>285,325</u>	<u>(1,662,316)</u>
General Revenues:							
Taxes:							
Income Taxes					561,899	-	561,899
Property Taxes					1,536,149	-	1,536,149
Grants and Contributions not Restricted to Specific Programs					247,728	-	247,728
Investment Income					1,991	290	2,281
Other Revenue					27,741	-	27,741
Total General Revenues					<u>2,375,508</u>	<u>290</u>	<u>2,375,798</u>
Change in Net Assets							
Net Assets, Beginning of Year, restated					<u>7,134,076</u>	<u>9,412,052</u>	<u>16,546,128</u>
Net Assets, End of Year					\$ <u>7,561,943</u>	<u>9,697,667</u>	<u>17,259,610</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund	Nonmajor Governmental Funds
ASSETS:						
Equity in Pooled Cash and Cash Equivalents	\$ 582,040	157,446	268,467	415,837	75,691	503,407
Receivables						
Taxes	387,588	716,882	373,168	-	-	248,072
Accounts	17,870	-	143,927	-	44,352	-
Special Assessments	-	-	-	387,445	-	-
Due from Other Governments	66,567	64,768	31,365	-	-	177,618
Prepaid Items	3,054	494	4,395	-	475	105
Materials and Supplies Inventory	22,155	-	-	-	-	25,537
	<u>1,079,274</u>	<u>939,590</u>	<u>821,322</u>	<u>803,282</u>	<u>120,518</u>	<u>954,739</u>
Total Assets	\$					
LIABILITIES:						
Accounts Payable	\$ 391	-	-	-	35,266	-
Accrued Wages and Benefits	5,901	8,465	10,413	1,596	1,221	4,098
Due to Other Governments	7,526	21,750	17,909	893	2,181	21,059
Deferred Revenue	409,087	777,136	548,461	387,445	-	399,104
Notes Payable	-	-	364,000	-	3,080	32,340
	<u>422,905</u>	<u>807,351</u>	<u>940,783</u>	<u>389,934</u>	<u>41,748</u>	<u>456,601</u>
Total Liabilities						
FUND BALANCES:						
Nonspendable						
Materials and Supplies Inventory	22,155	-	-	-	-	25,537
Prepaid Items	3,054	494	4,395	-	475	105
Restricted for:						
Police Protection	-	131,745	-	-	-	22,350
Street Lights	-	-	-	413,348	-	-
Cemetery Services	-	-	-	-	-	14,193
Street Repair and Maintenance	-	-	-	-	-	424,128
Grant Programs	-	-	-	-	-	11,825
Committed for:						
Refuse Services	-	-	-	-	78,295	-
Assigned to:						
Unpaid Obligations	3,000	-	-	-	-	-
Unassigned	628,160	-	(123,856)	-	-	-
	<u>656,369</u>	<u>132,239</u>	<u>(119,461)</u>	<u>413,348</u>	<u>78,770</u>	<u>498,138</u>
Total Fund Balances						
Total Liabilities and Fund Balances	\$ <u>1,079,274</u>	<u>939,590</u>	<u>821,322</u>	<u>803,282</u>	<u>120,518</u>	<u>954,739</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2011

Total Governmental Funds	
2,002,888	Total Governmental Fund Balances \$ 1,659,403
1,725,710	Amounts reported for governmental activities in the Statement of Net Assets are different because:
206,149	
387,445	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 6,265,916
340,318	
8,523	
47,692	
4,718,725	Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.
35,657	Income Taxes 175,223
31,694	Property Taxes 71,730
71,318	Intergovernmental 299,601
2,521,233	Charges for Services 161,772
399,420	Special Assessments 387,445
3,059,322	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:
47,692	General Obligation Bonds (1,144,250)
8,523	Capital Lease Obligation (235,515)
154,095	Accrued Interest Payable (4,093)
413,348	Compensated Absences (75,289)
14,193	Net Assets of Governmental Activities \$ <u>7,561,943</u>
424,128	
11,825	
78,295	
3,000	
504,304	
1,659,403	
4,718,725	

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, 2011

	General Fund	Police Fund	Fire/EMS Fund	Street Light Fund	Refuse Fund	Nonmajor Governmental Funds
REVENUES:						
Property Taxes	\$ 173,103	744,697	388,817	-	-	264,313
Income Taxes	541,420	-	-	-	-	-
Intergovernmental Revenue	310,996	138,041	66,282	-	-	435,320
Charges for Services	90,992	-	208,167	-	517,737	6,908
Special Assessments	-	-	-	460,515	-	-
Fines, Licenses and Permits	31,878	-	-	-	-	-
Investment Income	1,346	78	100	192	31	244
Other Revenue	180	5,629	9,040	-	678	12,214
Total Revenues	1,149,915	888,445	672,406	460,707	518,446	718,999
EXPENDITURES:						
Current:						
Security of Persons and Property	-	741,878	454,637	338,296	-	69,827
Public Health Services	-	-	-	-	-	13,595
Leisure Time Activities	86,694	-	-	-	-	-
Community Environment	-	-	-	-	495,725	-
Transportation	-	-	-	-	-	488,387
General Government	710,381	-	-	-	-	7,350
Capital Outlay	121,263	36,597	235,035	131,748	254	283,126
Debt Service:						
Principal	20,100	21,150	58,829	62,978	7,161	25,340
Interest	2,563	13,664	46,891	4,203	793	4,240
Total Expenditures	941,001	813,289	795,392	537,225	503,933	891,865
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	208,914	75,156	(122,986)	(76,518)	14,513	(172,866)
OTHER FINANCING SOURCES (USES):						
Inception of Capital Lease	-	-	125,000	109,114	-	40,068
Transfers In	759	-	34,000	-	-	101,000
Transfers Out	(90,000)	(45,000)	-	-	-	(759)
Total Other Financing Sources (Uses)	(89,241)	(45,000)	159,000	109,114	-	140,309
Net Change in Fund Balances	119,673	30,156	36,014	32,596	14,513	(32,557)
Fund Balance, Beginning of Year, restated	536,696	102,083	(155,475)	380,752	64,257	530,695
Fund Balance, End of Year	\$ 656,369	132,239	(119,461)	413,348	78,770	498,138

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, 2011

<u>Total</u>		
Governmental Funds	Total Net Change in Fund Balances - Governmental Funds	\$ 200,395
	Amounts reported for governmental activities in the statement of activities are different because:	
1,570,930		
541,420		
950,639	Governmental funds report capital outlays as expenditures.	
823,804	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.	
460,515	Capital Asset Additions	808,023
31,878	Current Year Depreciation	(370,718)
1,991		
<u>27,741</u>		
4,408,918	Issuance of debt, including capital leases, is an other financing source in governmental funds, but the issuance increases the long-term liability in the statement of net assets	(274,182)
1,604,638	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
13,595	Income Taxes	20,479
86,694	Property Taxes	(34,781)
495,725	Intergovernmental	(59,589)
488,387	Charges for Services	(27,461)
717,731	Special Assessments	(53,752)
808,023		
195,558	Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net assets.	195,558
<u>72,354</u>		
4,482,705		
	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:	
(73,787)	Compensated Absences	23,567
274,182	Accrued Interest	<u>328</u>
135,759		
<u>(135,759)</u>	Change in Net Assets of Governmental Activities	\$ <u>427,867</u>
274,182		
200,395		
<u>1,459,008</u>		
<u>1,659,403</u>		

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 185,313	185,313	173,103	(12,210)
Municipal Income Taxes	376,076	372,240	531,323	159,083
Intergovernmental Revenue	221,416	219,158	312,819	93,661
Charges for Services	64,405	63,748	90,992	27,244
Fines, Licenses and Permits	23,935	23,691	33,816	10,125
Investment Income	192	191	272	81
Other Revenue	233	229	327	98
Total Revenues	871,570	864,570	1,142,652	278,082
Expenditures:				
Current:				
General Government	1,083,907	1,028,907	826,819	202,088
Debt Service:				
Principal	20,100	20,100	20,100	-
Interest	2,563	2,563	2,563	-
Total Expenditures	1,106,570	1,051,570	849,482	202,088
Excess of Revenues Over (Under) Expenditures	(235,000)	(187,000)	293,170	480,170
Other Financing Sources (Uses):				
Transfers In	-	-	759	759
Transfers Out	(105,000)	(105,000)	(153,000)	(48,000)
Total Other Financing Sources (Uses)	(105,000)	(105,000)	(152,241)	(47,241)
Net Change in Fund Balance	(340,000)	(292,000)	140,929	432,929
Fund Balance, Beginning of Year	538,866	538,866	538,866	-
Fund Balance, End of Year	\$ 198,866	246,866	679,795	432,929

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 784,363	784,363	744,697	(39,666)
Intergovernmental Revenue	63,712	63,712	134,889	71,177
Investment Income	-	-	78	78
Other Revenue	-	-	5,624	5,624
Total Revenues	<u>848,075</u>	<u>848,075</u>	<u>885,288</u>	<u>37,213</u>
Expenditures:				
Current:				
Security of Persons and Property	833,750	833,750	779,333	54,417
Debt Service:				
Principal	21,161	21,161	21,150	11
Interest	13,664	13,664	13,664	-
Total Expenditures	<u>868,575</u>	<u>868,575</u>	<u>814,147</u>	<u>54,428</u>
Excess of Revenues Over (Under) Expenditures	<u>(20,500)</u>	<u>(20,500)</u>	<u>71,141</u>	<u>91,641</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net Change in Fund Balance	(65,500)	(65,500)	26,141	91,641
Fund Balance, Beginning of Year	<u>134,290</u>	<u>134,290</u>	<u>134,290</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 68,790</u>	<u>68,790</u>	<u>160,431</u>	<u>91,641</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire/EMS Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 407,648	407,648	388,817	(18,831)
Intergovernmental Revenue	33,168	71,512	139,164	67,652
Charges for Services	49,570	106,971	208,167	101,196
Investment Income	24	51	100	49
Other Revenue	170	367	9,040	8,673
Total Revenues	<u>490,580</u>	<u>586,549</u>	<u>745,288</u>	<u>158,739</u>
Expenditures:				
Current:				
Security of Persons and Property	639,095	735,095	718,662	16,433
Debt Service:				
Principal	430,564	430,564	428,676	1,888
Interest	46,891	46,891	46,891	-
Total Expenditures	<u>1,116,550</u>	<u>1,212,550</u>	<u>1,194,229</u>	<u>18,321</u>
Excess of Revenues Over (Under) Expenditures	<u>(625,970)</u>	<u>(626,001)</u>	<u>(448,941)</u>	<u>177,060</u>
Other Financing Sources (Uses):				
Proceeds from Capital Lease and Notes	489,000	489,000	489,000	-
Transfers In	34,000	34,000	34,000	-
Transfers Out	(20,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	<u>503,000</u>	<u>503,000</u>	<u>503,000</u>	<u>-</u>
Net Change in Fund Balance	(122,970)	(123,001)	54,059	177,060
Fund Balance, Beginning of Year	<u>258,822</u>	<u>258,822</u>	<u>258,822</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 135,852</u>	<u>135,821</u>	<u>312,881</u>	<u>177,060</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Light Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 430,250	430,250	460,515	30,265
Investment Income	-	-	192	192
Total Revenues	<u>430,250</u>	<u>430,250</u>	<u>460,707</u>	<u>30,457</u>
Expenditures:				
Current:				
Security of Persons and Property	788,750	788,750	496,777	291,973
Total Expenditures	<u>788,750</u>	<u>788,750</u>	<u>496,777</u>	<u>291,973</u>
Excess of Revenues Over (Under) Expenditures	<u>(358,500)</u>	<u>(358,500)</u>	<u>(36,070)</u>	<u>322,430</u>
Other Financing Sources:				
Proceeds from Capital Lease	-	-	68,634	68,634
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>68,634</u>	<u>68,634</u>
Net Change in Fund Balances	(358,500)	(358,500)	32,564	391,064
Fund Balance, Beginning of Year	<u>383,273</u>	<u>383,273</u>	<u>383,273</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 24,773</u>	<u>24,773</u>	<u>415,837</u>	<u>391,064</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Refuse Fund
For the Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Charges for Services	490,050	490,050	516,981	26,931
Investment Income	-	-	31	31
Other Revenue	-	-	678	678
Total Revenues	490,050	490,050	517,690	27,640
Expenditures:				
Current:				
Community Environment	525,050	525,050	496,517	28,533
Debt Service:				
Principal	9,207	9,207	7,161	2,046
Interest	793	793	793	-
Total Expenditures	535,050	535,050	504,471	30,579
Net Change in Fund Balances	(45,000)	(45,000)	13,219	58,219
Fund Balance, Beginning of Year	86,234	86,234	86,234	-
Fund Balance, End of Year	<u>\$ 41,234</u>	<u>41,234</u>	<u>99,453</u>	<u>58,219</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Water	Sewer	Stormwater	Total
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 362,045	238,579	56,124	656,748
Accounts Receivable	39,161	37,682	10,548	87,391
Supplies Inventory	-	4,360	-	4,360
Prepaid Items	622	818	475	1,915
Total Current Assets	401,828	281,439	67,147	750,414
Non-current Assets:				
Construction in Progress	-	-	20,715	20,715
Depreciable Capital Assets, net	5,191,942	5,270,772	1,811,967	12,274,681
Total Non-current Assets	5,191,942	5,270,772	1,832,682	12,295,396
Total Assets	\$ 5,593,770	\$ 5,552,211	\$ 1,899,829	\$ 13,045,810
Liabilities:				
Current Liabilities:				
Accounts Payable	-	5,454	-	5,454
Contracts Payable	67,400	-	-	67,400
Accrued Wages and Benefits	2,267	2,666	394	5,327
Accrued Interest Payable	533	-	224	757
Due to Other Funds	7,017	8,748	893	16,658
Compensated Absences Payable	4,330	5,099	571	10,000
Bond Anticipation Notes Payable	8,470	695,470	24,640	728,580
Issue II Loans Payable	59,645	23,311	-	82,956
Capital Lease Payable	439	949	457	1,845
General Obligation Bonds Payable	13,528	-	11,472	25,000
Total Current Liabilities	163,629	741,697	38,651	943,977
Long Term Liabilities:				
Compensated Absences Payable	28,361	33,404	3,742	65,507
Issue II Loans Payable	1,575,012	615,569	-	2,190,581
Capital Lease Payable	10,081	21,771	10,476	42,328
General Obligation Bonds Payable	57,222	-	48,528	105,750
Total Long Term Liabilities	1,670,676	670,744	62,746	2,404,166
Total Liabilities	1,834,305	1,412,441	101,397	3,348,143
Net Assets:				
Invested in capital assets, net of related debt	3,467,545	3,913,702	1,737,109	9,118,356
Unrestricted	291,920	226,068	61,323	579,311
Total Net Assets	3,759,465	4,139,770	1,798,432	9,697,667
Total Liabilities and Net Assets	\$ 5,593,770	5,552,211	1,899,829	13,045,810

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 455,070	679,093	130,424	1,264,587
Tap-In Fees	800	1,600	-	2,400
Other Operating Revenue	53,959	10,440	2,120	66,519
Total Operating Revenue	509,829	691,133	132,544	1,333,506
Operating Expenses:				
Personal Services	171,609	301,132	58,977	531,718
Contractual Services	81,967	210,494	14,009	306,470
Supplies and Materials	3,161	82,190	20,510	105,861
Depreciation	166,885	209,611	80,108	456,604
Total Operating Expenses	423,622	803,427	173,604	1,400,653
Operating Income (Loss)	86,207	(112,294)	(41,060)	(67,147)
Non-Operating Revenues (Expenses):				
Interest	180	86	24	290
Grant Revenue	218,303	144,721	18,081	381,105
Interest and Fiscal Charges	(4,161)	(11,637)	(3,929)	(19,727)
Other Non-Operating Expenses	(6,690)	(1,706)	(510)	(8,906)
Total Non-Operating Revenues (Expenses)	207,632	131,464	13,666	352,762
Net Income (Loss)	293,839	19,170	(27,394)	285,615
Net Assets at Beginning of Year	3,465,626	4,120,600	1,825,826	9,412,052
Net Assets at End of Year	\$ 3,759,465	4,139,770	1,798,432	9,697,667

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 509,279	690,332	130,059	1,329,670
Cash Payments to Employees for Services and Benefits	(191,396)	(305,711)	(59,016)	(556,123)
Cash Payments to Suppliers for Goods and Services	(104,452)	(284,576)	(32,333)	(421,361)
Net Cash Provided by Operating Activities	213,431	100,045	38,710	352,186
Cash Flows from Noncapital Financing Activities:				
Grant Revenue	218,303	144,721	18,081	381,105
Other Non-operating expenses	(6,690)	(1,706)	(510)	(8,906)
Net Cash Provided by Noncapital Financing Activities:	211,613	143,015	17,571	372,199
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(718,731)	(297,331)	(33,143)	(1,049,205)
Proceeds from Loans	294,015	144,721	-	438,736
Proceeds from Sale of Notes	-	728,580	-	728,580
Principal Paid on Capital Leases	(2,110)	(4,558)	(3,582)	(10,250)
Principal Paid on Bonds	(15,000)	-	(5,000)	(20,000)
Principal Paid on Notes	(2,860)	(794,443)	(8,320)	(805,623)
Principal Paid on Loans	(46,834)	(33,712)	-	(80,546)
Interest expense	(4,203)	(11,637)	(3,948)	(19,788)
Net Cash Used in Capital and Related Financing Activities	(495,723)	(268,380)	(53,993)	(818,096)
Cash Flows from Investing Activities:				
Interest	180	86	24	290
Net Cash Provided by Investing Activities	180	86	24	290
Net Increase (Decrease) in Cash and Cash Equivalents	(70,499)	(25,234)	2,312	(93,421)
Cash and Cash Equivalents Beginning of Year	432,544	263,813	53,812	750,169
Cash and Cash Equivalents End of Year	\$ 362,045	238,579	56,124	656,748

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

Operating Income (Loss)	\$ 86,207	(112,294)	(41,060)	(67,147)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	166,885	209,611	80,108	456,604
Changes in Assets and Liabilities				
(Increase) Decrease in Accounts Receivable	(5,130)	2,244	(547)	(3,433)
(Increase) Decrease in Supplies Inventory	-	(100)	-	(100)
(Increase) Decrease in Prepaid Items	(23)	(26)	247	198
Increase (Decrease) in Accounts Payable	(949)	5,188	-	4,239
Increase (Decrease) in Contracts Payable	(33,728)	-	-	(33,728)
Increase (Decrease) in Accrued Salaries Payable	(449)	(930)	11	(1,368)
Increase (Decrease) in Intergovernmental Payable	(1,152)	(1,491)	(134)	(2,777)
Increase (Decrease) in Compensated Absences Payable	1,770	(2,157)	85	(302)
Net Cash Provided by Operating Activities	\$ 213,431	100,045	38,710	352,186

Noncash Capital Financing Activities:

In fiscal year 2011, the City purchased assets with capital lease proceeds totaling \$50,819 and owed contractors \$67,400 for capitalized

Prior year capital acquisitions included retainage payable of \$11,101

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Refuse Fund – This fund accounts for all transactions relating to the provision of solid waste removal from residents and commercial users 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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no funds which are classified as fiduciary funds.

Proprietary Fund Types

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

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operations of the City are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transaction

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenue

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance 2012 operations, have been recorded as deferred revenues.

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 2011. 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, 2011.

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 2011 amounted to \$1,991 and \$290 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 assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

Capital Assets

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Compensated Absences

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

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

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

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

Net Assets

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

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

Operating Revenues and Expenses

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Budgetary Process

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

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

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

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

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

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

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

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses General Fund and Major Special Revenue Funds				
	General	Police	Fire/EMS	Street Light	Refuse
GAAP Basis	\$ 119,673	\$ 30,156	\$ 36,014	\$ 32,596	\$ 14,513
Revenue Accruals	(7,263)	(3,157)	72,882	-	(756)
Expenditure Accruals	91,519	(858)	(398,837)	40,448	(538)
Transfers	(63,000)	-	(20,000)	-	-
Debt Proceeds	-	-	364,000	(40,480)	-
Budget Basis	<u>\$ 140,929</u>	<u>\$ 26,141</u>	<u>\$ 54,059</u>	<u>\$ 32,564</u>	<u>\$ 13,219</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the City's deposits was \$69,386 and the bank balance was \$217,597. \$217,597 of the bank balance was covered by federal depository insurance.

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the City to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. At year end the City had investments in STAROhio of \$2,590,250. STAROhio is rated AAAm by Standard and Poor's and comprises 100% of the City's investments.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. The last revaluation was completed in 2009. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values listed on December 31 of the prior year, and at tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Union. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2011, was \$16.03 per \$1,000 of assessed value. Real property owner's tax bills are further reduced by homestead and roll back deductions, when applicable.

The assessed value of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - PROPERTY TAXES (continued)

Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies that are measurable as of December 31, 2011. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2011 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 – INCOME TAXES

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2011, 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, 2011 was \$87,391.

A summary of intergovernmental receivables follows:

General Fund	\$	66,567
Special Revenue Funds		
Police Pension		2,202
Police		64,768
Fire/EMS		31,365
State Highway		10,129
Street Maintenance and Repair		<u>148,079</u>
Total Special Revenue Funds		256,543
Capital Projects Fund		
Street Levy		<u>17,028</u>
Total Intergovernmental Receivable	\$	<u>340,138</u>

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 1,275,566	3,886	-	\$ 1,279,452
Construction in Progress	-	49,483		49,483
Total Non-depreciable capital assets	1,275,566	53,369	-	1,328,935
Depreciable capital assets				
Buildings	2,189,401	33,631	-	2,223,032
Equipment	2,508,175	75,876	-	2,584,051
Infrastructure	1,230,328	191,443	-	1,421,771
Improvements	73,162	46,865	-	120,027
Vehicles	1,286,488	406,839	-	1,693,327
Total depreciable capital assets	7,287,554	754,654	-	8,042,208
Less: accumulated depreciation				
Buildings	(386,801)	(48,813)	-	(435,614)
Equipment	(1,768,418)	(158,844)	-	(1,927,262)
Infrastructure	(108,609)	(28,906)	-	(137,515)
Improvements	(1,227)	(2,475)	-	(3,702)
Vehicles	(469,454)	(131,680)	-	(601,134)
Total accumulated depreciation	(2,734,509)	(370,718) *	-	(3,105,227)
Depreciable capital assets, net	4,553,045	383,936	-	4,936,981
Governmental Activities Capital Assets, Net	\$ 5,828,611	437,305	-	\$ 6,265,916

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

General Government	\$ 211,309
Public Safety	7,414
Transportation	151,995
Total Depreciation Expense	<u>\$ 370,718</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 8 - CAPITAL ASSETS (continued)

	Balance 12/31/2010	Additions	Deletions	Balance 12/31/2011
Business Type Activities:				
Non-depreciable capital assets				
Construction in Progress	\$ 128,502	20,715	(128,502)	\$ 20,715
Depreciable capital assets				
Buildings	3,170,236	-	-	3,170,236
Equipment	1,063,713	30,817	-	1,094,530
Infrastructure	14,451,050	1,175,724	-	15,626,774
Improvements	27,496	4,425	-	31,921
Vehicles	74,360	53,144	-	127,504
Total depreciable capital assets	18,786,855	1,264,110	-	20,050,965
Less: accumulated depreciation				
Buildings	(2,237,668)	(61,449)	-	(2,299,117)
Equipment	(722,952)	(66,129)	-	(789,081)
Infrastructure	(4,304,550)	(322,201)	-	(4,626,751)
Improvements	(419)	(657)	-	(1,076)
Vehicles	(54,091)	(6,168)	-	(60,259)
Total accumulated depreciation	(7,319,680)	(456,604)	-	(7,776,284)
Depreciable capital assets, net	11,467,175	807,506	-	12,274,681
Business Type Activities Capital Assets, Net	\$ 11,595,677	828,221	(128,502)	\$ 12,295,396

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

Ohio Public Employees Retirement System

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). The 2011 member contribution rates were 10% of their annual covered salary. The 2011 employer contribution rate for local government employer units was 14% of covered payroll. The City's contributions representing 100% of the employer's contributions for the years ending December 31, 2011, 2010 and 2009 were \$153,023, \$161,813, and \$151,256, respectively. The amount paid by the City includes both the employer's contribution as well as the employee's contribution (pick-up) for certain employees.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0%, respectively for police officers and firefighters. The City contributions to the plan for the years ended December 31, 2011, 2010 and 2009 were \$62,413, \$66,170, and \$71,576, respectively. The City's contributions include a full pick-up on the police chief. The unpaid contribution for 2011 was \$14,287, or 23% of the required contribution, and is recorded as a liability in the respective funds and statement of net assets. 100% has been contributed for 2010 and 2009.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

Ohio Public Employees Retirement System

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

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

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

Active members do not make contributions to the OPEB Plan. OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011, the employer contribution allocated to the health care plan was 4.0% for members in the Traditional Plan and 6.05% for members in the Combined Plan. The portion of employer contributes allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual employer contributions for 2011, 2010 and 2009 which were used to fund postemployment benefits were \$43,719, \$58,697, and \$63,478, respectively. The actual contribution and the actuarially required contribution amounts are the same for each year.

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

Ohio Police and Fire Pension Fund

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The City's actual contributions for 2011, 2010 and 2009 that were used to fund postemployment benefits were \$21,595, \$22,895, and \$22,439, respectively. 77% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

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

NOTE 11 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation accrual for the City as a whole amounted to \$64,103 at December 31, 2011.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 11 - OTHER EMPLOYEE BENEFITS (continued)

Accumulated Unpaid Sick Leave

All hourly employees earn 4.6 hours of sick leave per 80 hours worked. All salaried employees earn sick leave at the rate of 1.25 days per month. Upon qualifying to retire under one of the two pension systems an employee who has unused accumulated sick leave of up to 60 days is eligible to be paid for a portion of these hours. An employee with between 10 and 20 years of service will be paid at a rate of one day's pay for every two days accrued. An employee with over twenty years of service shall receive one day's pay for each day of accumulated sick leave. The total obligation for sick leave accrual for the City as a whole as of December 31, 2011 was \$86,693.

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 2011 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	0
Property Insurance	8,991,772	1,000
Inland Marine	8,991,772	1,000
Special Property	1,624,743	1,000
Crime	100,000	no deductible
EDP	102,020	250

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

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 - RISK MANAGEMENT (continued)

The City has elected to provide employee medical insurance benefits through Medical Mutual of Ohio. The City covers the employee's premiums and deductibles by budgeting \$76,600 each year for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$5,000 after the employee pays the first \$250. If the money set aside is not depleted, the City places the excess into a savings account. In 2011, the City made no contributions to the savings account and the account has a balance of \$128,820. This amount is reflected in the cash balance of each fund based on the original contribution.

Dental benefits are also provided by the City.

NOTE 13 - CAPITALIZED LEASES

In 2007 the City entered into a lease agreement to purchase an off-road utility truck. In 2010, the City entered into a lease agreement for the purchase of a mini-excavator. In 2011, the City entered into lease agreements for the purchase of an ambulance and a dump truck. The leases meet the criteria of capital leases as defined by statement of financial accounting standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified and are reflected as debt service in the respective funds. Lease payments for the utility truck are reflected as transportation expenses in the governmental funds on a budgetary basis. Lease payments for the ambulance and dump truck are reflected as public safety and transportation expenses in the governmental funds on a budgetary basis. Lease payments for the mini-excavator are reflected as public safety expense in the governmental funds on a budgetary basis. The utility truck has been capitalized on the statement of net assets for \$127,661. The mini-excavator has been capitalized on the statement of net assets for \$55,977. The ambulance purchased in 2011 has been capitalized on the statement of net assets for \$211,645 and the dump truck has been capitalized on the statement of net assets for \$209,300. Principal payments in 2011 for capital leases were \$115,808.

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, 2011.

Year ending December 31,	<u>Capital Lease Obligation</u>
2012	\$ 77,965
2013	64,128
2014	64,128
2015	64,128
2016	<u>36,475</u>
Total minimum lease payments	306,824
Less: Amount representing interest	<u>(27,136)</u>
Minimum lease payments	<u>\$ 279,688</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Amount Due</u> <u>In One Year</u>
<u>Governmental Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 1,234,250	\$ -	\$ (90,000)	\$ 1,144,250	\$ 90,000
Capital lease obligation	66,891	274,182	(105,558)	235,515	11,340
Compensated Absences	98,856	8,767	(32,334)	75,289	15,000
Total governmental activities	<u>\$ 1,399,997</u>	<u>\$ 282,949</u>	<u>\$ (227,892)</u>	<u>\$ 1,455,054</u>	<u>\$ 116,340</u>
<u>Business-type Activities:</u>					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 150,750	\$ -	\$ (20,000)	\$ 130,750	\$ 25,000
OPWC Loans	1,915,347	438,736	(80,546)	2,273,537	82,956
Capital lease obligation	3,604	50,819	(10,250)	44,173	1,845
Compensated Absences	75,809	10,679	(10,981)	75,507	10,000
Total business-type activities	<u>\$ 2,145,510</u>	<u>\$ 500,234</u>	<u>\$ (121,777)</u>	<u>\$ 2,523,967</u>	<u>\$ 119,801</u>

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

During 2008, the City received loans from the Ohio Public Works Commission (OPWC) for the Phillipsburg-Union Road Sanitary Sewer project and the Rhinehart Road Sanitary Pump Station Elimination project. The loans are non-interest bearing and will be repaid from the Sewer Fund over the next 20 years.

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

During 2011, the City received the remaining amount of the loans from the Ohio Public Works Commission (OPWC) for the Shaw Road Water Tank Recoating project. The loans are non-interest bearing and will be repaid from the Water fund over the next twenty years. Also during 2011, the City began the Waste Water Treatment Plant Lagoon Aeration System replacement that is being financed by OPWC. The project was not completed at year end, therefore the future debt payments have not yet been determined and are not included in the table below. Debt payments are expected to be made from the Sewer fund.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

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

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 90,000	\$ 45,943	\$ 25,000	\$ 12,251
2013	40,920	27,583	79,080	25,723
2014	68,330	39,167	26,650	9,039
2015	80,000	44,169	-	-
2016	65,000	40,769	-	-
2017-2021	320,000	153,782	-	-
2022-2026	390,000	75,570	-	-
2027	90,000	4,163	-	-
Total	<u>\$ 1,144,250</u>	<u>\$ 431,146</u>	<u>\$ 130,730</u>	<u>\$ 47,013</u>

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

Year	Business-Type Activities
	Principal
2012	\$ 82,956
2013	82,957
2014	82,956
2015	82,957
2016	82,956
2017-2021	414,783
2022-2026	395,408
2027-2031	304,739
2032-2036	258,285
2037-2041	185,632
Total	<u>\$ 1,973,629</u>

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, 2011

NOTE 15 – SHORT TERM OBLIGATIONS

A summary of short-term obligations for the year ended December 31, 2011, is as follows:

	<u>Balance</u> 12/31/2010	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2011
<u>Governmental Activities</u>				
Equipment Bond Anticipation Notes	\$ 47,380	\$ 35,420	\$ (47,380)	\$ 35,420
Fire Truck Acquisition Bond Anticipation Notes	<u>397,500</u>	<u>364,000</u>	<u>(397,500)</u>	<u>364,000</u>
Total governmental activities	<u>\$ 444,880</u>	<u>\$ 399,420</u>	<u>\$ (444,880)</u>	<u>\$ 399,420</u>
<u>Business-type Activities</u>				
Equipment Bond Anticipation Notes	\$ 55,620	\$ 41,580	\$ (55,620)	\$ 41,580
Old Springfield Road Sewer Extension Notes	<u>750,003</u>	<u>687,000</u>	<u>(750,003)</u>	<u>687,000</u>
Total business-type activities	<u>\$ 805,623</u>	<u>\$ 728,580</u>	<u>\$ (805,623)</u>	<u>\$ 728,580</u>

During 2011, the City issued a bond anticipation note to refinance three bond anticipation notes issued in prior years to purchase a fire truck, various equipment and finance the Old Springfield Road Sewer Extension Project. The bond anticipation note was issued on March 10, 2011 for \$1,128,000 at an interest rate of 1.5% and is scheduled to mature on March 9, 2012. Payments on this bond anticipation note are made from the Fire/EMS fund, Refuse Fund, Street Fund, Water Fund, Sewer Fund and Stormwater Fund.

NOTE 16 - FEDERAL AND STATE GRANTS

For the period January 1, 2011 to December 31, 2011 the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 17 - INTERFUND TRANSFERS AND BALANCES

<u>Transfer from Fund</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General	Fire/EMS	34,000
	Other Governmental	56,000
Other Governmental	General Fund	759
Police	Other Governmental	<u>45,000</u>
		\$ <u>135,759</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the general fund are to provide additional resources for current operations as well as for debt service. The transfer from the other

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 17 - INTERFUND TRANSFERS AND BALANCES (continued)

governmental funds to the general fund was to move the unexpended balance of the fund after the activity was closed. The transfers from the police fund to the non-major police pension fund are regular transfers which enables the City to make its annual payment on pension obligations.

NOTE 18 – ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at December 31, 2011 included the following individual fund deficit:

	Deficit
Fire/EMS Fund	(119,461)

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

NOTE 19 – SUBSEQUENT EVENT

On March 9, 2012, the City issued various purpose general obligation bond anticipation notes in the amount of \$952,500 in order to refinance the 2011 outstanding bond anticipation notes.

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE/CORRECTION OF AN ERROR

For fiscal year 2011, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The implementation of this standard did not effect the calculation of the City’s fund balance but it shifts the focus of fund balance reporting from availability of fund resources to the extent to which the City is bound to honor constraints on the purpose for which amounts can be spent. This standard also clarified the definition of governmental fund types. Implementation of this standard had the following effect on the fund balance of major and nonmajor funds as previously reported.

	General	Nonmajor Governmental
Fund Balance at December 31, 2010	\$ 514,093	\$ 553,298
Change in Fund Structure	22,603	(22,603)
Adjusted Fund Balance at December 31, 2010	\$ 536,696	\$ 530,695

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE/CORRECTION OF AN ERROR (continued)

In addition, during fiscal year 2011, the City corrected an error made in prior years regarding the special assessment receivable. The correction had the following effect on net assets of governmental activities as previously reported.

	<u>Governmental Activities</u>
Net Assets at December 31, 2010	\$ 6,776,378
Change in Special Assessment Receivable	<u>357,698</u>
Adjusted Net Assets at December 31, 2010	<u>\$ 7,134,076</u>

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2012, wherein we noted the City implemented GASB Statement No. 54 as well as performed a correction of an error related to prior years. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

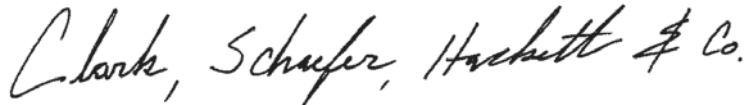
www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated June 15, 2012.

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio
June 15, 2012

Finding Number 2010-001

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

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

Status: Corrected in the current year.

Finding Number 2010-002

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

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

Status: Corrected in the current year.



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

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Dave Yost • Auditor of State

CITY OF UNION

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 30, 2012**