



Dave Yost • Auditor of State

**CITY OF UNION
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Balance Sheet – Enterprise Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Position – Enterprise Funds.....	19
Statement of Cash Flows – Enterprise Funds	20
Notes to the Basic Financial Statements	21
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	43
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual – Police Fund.....	44
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual - Fire/EMS Fund.....	45
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Light Fund	46
Schedule of Revenues, Expenditures, and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual – Refuse Fund	47
Notes to the Required Supplementary Information.....	48
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	51

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union, Montgomery County, Ohio (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Union, Montgomery County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2015

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(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, 2014. 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 2014 are as follows:

- Governmental activities reported a change in net position of \$40,886; a 0.5% increase.
- Business-type activities reported a positive change in net position of \$127,818; a 1.3% increase. The water and sewer funds both reported a positive change in fund balance for the year while the storm water fund reported a decrease due mainly to depreciation on infrastructure capital assets.
- The General Fund reported a fund balance of \$378,347 which was an increase of \$210,873 from the fund balance reported at the end of the prior year.
- The City entered into a financing and implementation agreement with the Montgomery County Transportation Improvement District (MCTID) to secure financing for the construction of necessary infrastructure to the Global Logistics Air Park to facilitate development within the Park. The total of this project was estimated at \$13.2 million and is virtually completed with few minor items remaining.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City do financially in 2014?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, liabilities, and deferred inflow/outflow of resources of the City using the accrual basis of accounting, similar to the accounting methods used by private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when cash was received or paid.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

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

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

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

The City as a Whole

The Statement of Net Position provides a perspective of the City as a whole. Table 1 provides a summary of the City's net position for the year ended December 31, 2014 as compared to December 31, 2013.

TABLE 1
Statement of Net Position, December 31

	2014			2013		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets:						
Current and Other Assets	\$ 4,109,492	1,160,537	5,270,029	4,086,108	1,063,413	5,149,521
Capital Assets	6,507,439	11,824,368	18,331,807	6,686,374	11,911,016	18,597,390
Total Assets	<u>10,616,931</u>	<u>12,984,905</u>	<u>23,601,836</u>	<u>10,772,482</u>	<u>12,974,429</u>	<u>23,746,911</u>
Deferred Outflow of Resources:	<u>11,088,693</u>	-	<u>11,088,693</u>	<u>5,898,085</u>	-	<u>5,898,085</u>
Liabilities:						
Current and Other Liabilities	11,188,930	18,866	11,207,796	6,060,398	27,380	6,087,778
Long-term Liabilities	<u>1,415,995</u>	<u>2,870,711</u>	<u>4,286,706</u>	<u>1,497,604</u>	<u>2,979,539</u>	<u>4,477,143</u>
Total Liabilities	<u>12,604,925</u>	<u>2,889,577</u>	<u>15,494,502</u>	<u>7,558,002</u>	<u>3,006,919</u>	<u>10,564,921</u>
Deferred Inflow of Resources:	<u>1,332,768</u>	-	<u>1,332,768</u>	<u>1,385,520</u>	-	<u>1,385,520</u>
Net Position:						
Net Investment in Capital Assets	5,215,483	9,054,137	14,269,620	5,289,652	9,017,211	14,306,863
Restricted	1,884,061	-	1,884,061	1,991,894	-	1,991,894
Unrestricted	<u>668,387</u>	<u>1,041,191</u>	<u>1,709,578</u>	<u>445,499</u>	<u>950,299</u>	<u>1,395,798</u>
Total Net Position	<u>\$ 7,767,931</u>	<u>10,095,328</u>	<u>17,863,259</u>	<u>7,727,045</u>	<u>9,967,510</u>	<u>17,694,555</u>

The amount by which the City's assets exceeded its liabilities is called net position. As of December 31, 2014 the City's overall net position was \$17.9 million. Of this amount, \$14.3 million was invested in capital assets, net of related debt. The decrease in net capital assets reported for 2014 compared to 2013 are attributable to current year depreciation expense exceeding capital asset additions for the year as well as the additional debt obligations issued during the year to finance capital acquisition and construction.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The increase in short-term liabilities of the City at the end of 2014 is due to recording an additional \$5.2 million in intergovernmental payable related to the continuing construction project to provide utilities and an access road to the Global Logistics Air Park, which is entirely offset by recording a similar amount in deferred outflow of resources. The long-term obligations of the City remained virtually unchanged as additional debt was issued during the year which offset the scheduled debt service payments made.

The following table shows the changes in net position for the year ended December 31, 2013 as compared to fiscal year ended December 31, 2014.

TABLE 2
Change in Net position

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
REVENUES:						
Program Revenues:						
Charges for Services	\$ 1,317,878	1,177,712	1,389,238	1,307,269	2,707,116	2,484,981
Operating Grants and Contributions	402,573	485,624	-	-	402,573	485,624
Capital Grants and Contributions	-	86,000	201,046	15,556	201,046	101,556
General Revenues:						
Income Taxes	580,815	546,575	-	-	580,815	546,575
Property Taxes	1,492,145	1,474,920	-	-	1,492,145	1,474,920
Grants and Contributions not Restricted	315,306	308,994	-	-	315,306	308,994
Investment Income	1,511	870	929	435	2,440	1,305
Other Revenue	207,461	86,857	-	22,363	207,461	109,220
Transfers	(30,277)	-	30,277	-	-	-
Total Revenue	<u>4,287,412</u>	<u>4,167,552</u>	<u>1,621,490</u>	<u>1,345,623</u>	<u>5,908,902</u>	<u>5,513,175</u>
EXPENSES:						
General Government	1,036,854	900,015	-	-	1,036,854	900,015
Security of Persons and Property	1,830,572	1,778,869	-	-	1,830,572	1,778,869
Public Health Services	13,090	13,277	-	-	13,090	13,277
Transportation	734,226	862,490	-	-	734,226	862,490
Community Environment	503,954	508,604	-	-	503,954	508,604
Leisure Time Activities	70,563	104,044	-	-	70,563	104,044
Water	-	-	590,791	514,431	590,791	514,431
Sewer	-	-	739,199	646,632	739,199	646,632
Stormwater	-	-	163,682	173,127	163,682	173,127
Interest Expense	57,267	56,320	-	-	57,267	56,320
Total Expenses	<u>4,246,526</u>	<u>4,223,619</u>	<u>1,493,672</u>	<u>1,334,190</u>	<u>5,740,198</u>	<u>5,557,809</u>
Change in Net Position	40,886	(56,067)	127,818	11,433	168,704	(44,634)
Net Position, Beginning of Year	<u>7,727,045</u>	<u>7,783,112</u>	<u>9,967,510</u>	<u>9,956,077</u>	<u>17,694,555</u>	<u>17,739,189</u>
Net Position, End of Year	<u>\$ 7,767,931</u>	<u>7,727,045</u>	<u>10,095,328</u>	<u>9,967,510</u>	<u>17,863,259</u>	<u>17,694,555</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Governmental Activities

Total expenses of governmental activities increased slightly by 0.5% over those reported in 2013. The largest decrease was seen in the transportation function where fewer construction projects were undertaken during 2014 compared with 2013. The increase in the general government function expenses in 2014 relate to personnel costs, wage increases and health care coverage cost increases, as well as legal and administrative costs associated with opening the new industrial park site. 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 help cover the net expenses of \$1.3 million. General Government, the next highest function, includes all expenses associated with administration, city council and other general operating expenses at a cost of \$1.0 million in 2014 compared to \$900,015 for 2013.

Business-Type Activities

Overall, the City's business-type activities generated \$1.4 million in operating revenues; increased operating costs reported for 2014 resulted in the program expenses associated with all business-type activities related to the increased personnel costs and related projects. Operating costs will fluctuate from year to year depending on the personnel costs as well as general maintenance necessary to run the utilities operations. Non-operating revenues were sufficient to cover the deficit realized in operations.

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

TABLE 3
Total and Net Cost of Program Services

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,036,854	(797,480)	900,015	(760,831)
Security of Persons and Property	1,830,572	(1,254,518)	1,778,869	(961,763)
Public Health Services	13,090	(7,116)	13,277	(8,537)
Transportation	734,226	(366,515)	862,490	(593,824)
Community Environment	503,954	23,183	508,604	11,036
Leisure Time Activities	70,563	(66,362)	104,044	(104,044)
Interest Expense	<u>57,267</u>	<u>(57,267)</u>	<u>56,320</u>	<u>(56,320)</u>
Total Expenses	<u>\$ 4,246,526</u>	<u>(2,526,075)</u>	<u>4,223,619</u>	<u>(2,474,283)</u>
BUSINESS-TYPE ACTIVITIES:				
Water	\$ 590,791	87,348	514,431	(29,905)
Sewer	739,199	29,674	646,632	36,375
Stormwater	<u>163,682</u>	<u>(20,410)</u>	<u>173,127</u>	<u>(17,835)</u>
Total Expenses	<u>\$ 1,493,672</u>	<u>96,612</u>	<u>1,334,190</u>	<u>(11,365)</u>

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(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, 2014 the City's governmental funds reported revenues and other financing sources of \$4.4 million and expenditures and other financing uses of \$4.3 million, with combined fund balances of \$1.5 million. Of the \$1.5 million fund balance, \$1.1 is restricted or committed for specific purposes and cannot be used for general operations.

The General Fund is the chief operating fund of the City. At December 31, 2014, the unassigned fund balance of the General Fund was reported at \$127,438, an increase of \$106,209 from the unassigned fund balance reported for the prior year. The increase in unassigned fund balance for the current year resulted from the increase in income and property taxes within the general fund in 2014 which permitted revenues to exceed expenditures for the year.

Enterprise Funds

The City's enterprise funds provide the same information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$523,914, \$414,063 and \$103,214 for the water, sewer and storm water funds, respectively. The changes in net position for the water and sewer funds were increases of \$125,705 and \$30,016, respectively while the storm water fund reported a decrease of \$27,903. Total operating expenses for all proprietary funds were \$1.5 million which were slightly less than the operating revenues reported. Ending unrestricted net position as of December 31, 2014 was 89.0%, 57.1%, and 63.9% of the operating expenses reported for the water, sewer and storm water operations, respectively.

General Fund Budgeting Highlights

For the General Fund, actual budget basis revenue was \$1.3 million which was \$260,284 higher than the final budget estimate. The variance between actual and the final budget basis revenue is primarily due to the City receiving additional estimates for income and property taxes, as well as state shared taxes. The City is estimating conservatively due to the current economic conditions in the state of Ohio.

Total actual expenditures (including transfers) on the budget basis were \$1.1 million which were only \$31,504 more than original expenditure budget estimates. Actual budgeted expenditures were \$29,496 below the final budget estimates for expenditures.

CAPITAL ASSETS AND INFRASTRUCTURE

At December 31, 2014, the City has invested in land, construction in progress, buildings, improvements, equipment, vehicles and infrastructure with amounts totaling \$6.5 million and \$11.8 million in governmental activities and business-type activities, respectively. Table 4 shows December 31, 2014 balances compared to December 31, 2013 amounts. Additional information regarding the City's capital assets can be found in the Notes to the Basic Financial Statements in Note 7.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

TABLE 4
Capital Assets, December 31

	2014			2013		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 1,279,452	-	1,279,452	1,279,452	-	1,279,452
Construction in Progress	-	3,893	3,893	-	7,569	7,569
Infrastructure	2,081,368	16,434,399	18,515,767	2,013,089	16,071,491	18,084,580
Buildings	2,387,527	3,221,382	5,608,909	2,387,527	3,221,382	5,608,909
Improvements	227,311	31,921	259,232	227,311	31,921	259,232
Equipment	2,928,077	1,154,415	4,082,492	2,773,839	1,143,051	3,916,890
Vehicles	1,895,359	174,225	2,069,584	1,888,821	167,688	2,056,509
Less: Accumulated						
Depreciation	(4,291,655)	(9,195,867)	(13,487,522)	(3,883,665)	(8,732,086)	(12,615,751)
Totals	\$ <u>6,507,439</u>	<u>11,824,368</u>	<u>18,331,807</u>	<u>6,686,374</u>	<u>11,911,016</u>	<u>18,597,390</u>

Overall, the net capital assets decreased by \$265,583, 1.4 percent, from those reported one year prior as current year depreciation expense exceed capital asset additions for the year. The significant capital assets additions reported for the year include, the replacement of the water main on Hawker Street, installation of walkways in Concord Farms West, completion of the sewer laterals on Old Springfield Road, improvements to the bridge at Community park, as well as investments in technology equipment throughout the City's departments.

DEBT ADMINISTRATION

At December 31, 2014 the City reported total debt obligations of \$4.3 million consisting of general obligation bonds, long-term notes payable, OPWC loans payable and capital leases. Governmental activities are responsible for \$1.4 million of the debt obligations including \$174,419 due within the next year. Business-type activities are responsible for the remaining \$2.9 million in debt obligations, \$231,319 of which are due within one year.

During 2014, principal payments totaled \$165,374 for the governmental activities on general debt obligations; \$65,000 in general obligations bonds, \$37,000 in long-term notes and \$63,374 in capital lease obligations, respectively. Business-type activities reported \$212,052 of principal payment on debt obligations in total; \$30,000 for general obligation bonds, \$106,475 for OPWC loans payable, \$65,000 for long-term notes, and \$10,577 for capital lease obligations. During the year, the City drew down a loan from OPWC (\$87,914) that is interest free and financed the purchase of equipment by entering into a capital lease agreement (\$81,172).

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, 2014 the City's legal debt margin was approximately \$8.8 million.

See Notes 12 and 13 of the Notes to the Basic Financial Statements for more detailed information on debt obligations of the City.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

CONTACTING THE CITY'S FINANCE DEPARTMENT

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

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 1,432,640	1,066,014	2,498,654
Receivables:			
Taxes	1,638,456	-	1,638,456
Accounts	193,531	87,977	281,508
Special Assessments	443,523	-	443,523
Intergovernmental	353,223	-	353,223
Prepaid Items	8,473	1,455	9,928
Materials and Supplies Inventory	39,646	5,091	44,737
Capital Assets:			
Capital assets not subject to depreciation:			
Land	1,279,452	-	1,279,452
Construction in Progress	-	3,893	3,893
Capital assets, net of accumulated depreciation	<u>5,227,987</u>	<u>11,820,475</u>	<u>17,048,462</u>
Total Assets	<u>10,616,931</u>	<u>12,984,905</u>	<u>23,601,836</u>
DEFERRED OUTFLOW OF RESOURCES:			
Amount Payable on TID Project	<u>11,088,693</u>	-	<u>11,088,693</u>
Total Deferred Outflow of Resources	<u>11,088,693</u>	-	<u>11,088,693</u>
LIABILITIES:			
Accounts Payable	35,524	337	35,861
Accrued Wages and Benefits	21,459	3,472	24,931
Due to Other Governments	11,126,432	9,910	11,136,342
Accrued Interest Payable	5,515	5,147	10,662
Noncurrent Liabilities:			
Due Within One Year	174,419	231,319	405,738
Due In More Than One Year	<u>1,241,576</u>	<u>2,639,392</u>	<u>3,880,968</u>
Total Liabilities	<u>12,604,925</u>	<u>2,889,577</u>	<u>15,494,502</u>
DEFERRED INFLOW OF RESOURCES:			
Property Taxes	<u>1,332,768</u>	-	<u>1,332,768</u>
Total Deferred Inflow of Resources	<u>1,332,768</u>	-	<u>1,332,768</u>
NET POSITION:			
Net Investment in Capital Assets	5,215,483	9,054,137	14,269,620
Restricted for:			
Public Safety Services	468,507	-	468,507
Transportation	547,394	-	547,394
Street Lights	732,113	-	732,113
Refuse	124,222	-	124,222
Other Purposes	11,825	-	11,825
Unrestricted	<u>668,387</u>	<u>1,041,191</u>	<u>1,709,578</u>
Total Net Position	<u>\$ 7,767,931</u>	<u>10,095,328</u>	<u>17,863,259</u>

See accompanying notes to the basic financial statements.

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CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
Security of Persons and Property	\$ 1,830,572	541,192	34,862	-	(1,254,518)	-	(1,254,518)
Public Health Services	13,090	5,974	-	-	(7,116)	-	(7,116)
Leisure Time Activities	70,563	4,201	-	-	(66,362)	-	(66,362)
Community Environment	503,954	527,137	-	-	23,183	-	23,183
Transportation	734,226	-	367,711	-	(366,515)	-	(366,515)
General Government	1,036,854	239,374	-	-	(797,480)	-	(797,480)
Interest and Fiscal Charges	57,267	-	-	-	(57,267)	-	(57,267)
Total Governmental Activities	4,246,526	1,317,878	402,573	-	(2,526,075)	-	(2,526,075)
Business-Type Activities:							
Water	590,791	533,793	-	144,346	-	87,348	87,348
Sewer	739,199	712,173	-	56,700	-	29,674	29,674
Stormwater	163,682	143,272	-	-	-	(20,410)	(20,410)
Total Business-Type Activities	1,493,672	1,389,238	-	201,046	-	96,612	96,612
Total	\$ 5,740,198	2,707,116	402,573	201,046	(2,526,075)	96,612	(2,429,463)
General Revenues:							
Taxes:							
Income Taxes for General Operations					580,815	-	580,815
Property Taxes, Levied for:							
General Operations					157,509	-	157,509
Security of Persons and Property					1,111,543	-	1,111,543
Transportation					223,093	-	223,093
Grants and Contributions not Restricted to Specific Programs					315,306	-	315,306
Investment Income					1,511	929	2,440
Other Revenue					207,461	-	207,461
Transfers					(30,277)	30,277	-
Total General Revenues					2,566,961	31,206	2,598,167
Change in Net Position					40,886	127,818	168,704
Net Position, Beginning of Year					7,727,045	9,967,510	17,694,555
Net Position, End of Year					\$ 7,767,931	10,095,328	17,863,259

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2014

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund	Street Light Fund
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	\$ 318,516	111,481	121,856	-	338,188
Receivables:					
Taxes	394,468	657,534	349,955	-	-
Accounts	17,376	-	131,745	-	-
Special Assessments	70,967	-	-	-	372,556
Intergovernmental	46,545	58,663	31,083	-	34,862
Prepaid Items	3,722	2,030	2,159	-	-
Materials and Supplies Inventory	15,901	-	551	-	-
	<u>867,495</u>	<u>829,708</u>	<u>637,349</u>	<u>-</u>	<u>745,606</u>
Total Assets					
	<u>867,495</u>	<u>829,708</u>	<u>637,349</u>	<u>-</u>	<u>745,606</u>
DEFERRED OUTFLOW OF RESOURCES:					
Amount Payable on TID Project	-	-	-	11,088,693	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,088,693</u>	<u>-</u>
Total Assets and Deferred Outflow of Resources	\$ <u>867,495</u>	<u>829,708</u>	<u>637,349</u>	<u>11,088,693</u>	<u>745,606</u>
LIABILITIES:					
Accounts Payable	\$ -	-	-	-	-
Accrued Wages and Benefits	4,650	4,683	10,679	-	228
Intergovernmental Payable	7,933	11,621	11,130	11,088,693	1,745
	<u>12,583</u>	<u>16,304</u>	<u>21,809</u>	<u>11,088,693</u>	<u>1,973</u>
Total Liabilities					
	<u>12,583</u>	<u>16,304</u>	<u>21,809</u>	<u>11,088,693</u>	<u>1,973</u>
DEFERRED INFLOW OF RESOURCES:					
Property Taxes	137,248	631,874	336,335	-	-
Unavailable Revenue	339,317	84,323	176,448	-	378,843
	<u>476,565</u>	<u>716,197</u>	<u>512,783</u>	<u>-</u>	<u>378,843</u>
Total Deferred Inflow of Resources					
	<u>476,565</u>	<u>716,197</u>	<u>512,783</u>	<u>-</u>	<u>378,843</u>
FUND BALANCES:					
Nonspendable:					
Prepaid Items	3,722	2,030	2,159	-	-
Material and Supplies Inventory	15,901	-	551	-	-
Restricted:					
Security of Person and Property	-	95,177	100,047	-	-
Street Repair and Maintenance	-	-	-	-	-
Street Lighting	-	-	-	-	364,790
Other	-	-	-	-	-
Committed:					
Community Environment	-	-	-	-	-
Assigned:					
Recreation Programs	30,640	-	-	-	-
Subsequent Appropriations	200,646	-	-	-	-
Unassigned	127,438	-	-	-	-
	<u>378,347</u>	<u>97,207</u>	<u>102,757</u>	<u>-</u>	<u>364,790</u>
Total Fund Balances					
	<u>378,347</u>	<u>97,207</u>	<u>102,757</u>	<u>-</u>	<u>364,790</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ <u>867,495</u>	<u>829,708</u>	<u>637,349</u>	<u>11,088,693</u>	<u>745,606</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2014

Refuse Fund	Nonmajor Governmental Funds	Total Governmental Funds		
109,976	432,623	1,432,640	Total Governmental Fund Balances	\$ 1,539,912
-	236,499	1,638,456	Amounts reported for governmental activities in the Statement of Net Position are different because:	
44,410	-	193,531	Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	6,507,439
-	-	443,523		
-	182,070	353,223	Other long-term assets are not available to pay for current period expenditures and therefore are unavailable in the funds.	
447	115	8,473	Income Taxes	204,669
-	23,194	39,646	Property Taxes	54,325
<u>154,833</u>	<u>874,501</u>	<u>4,109,492</u>	Intergovernmental	290,509
			Charges for Services	149,064
-	-	11,088,693	Special Assessments	443,523
<u>154,833</u>	<u>874,501</u>	<u>15,198,185</u>	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
35,524	-	35,524	General Obligation Bonds	(899,250)
280	939	21,459	Long-Term Notes Payable	(257,000)
896	4,414	11,126,432	Capital Lease Obligations	(135,706)
<u>36,700</u>	<u>5,353</u>	<u>11,183,415</u>	Accrued Interest Payable	(5,515)
-	227,311	1,332,768	Compensated Absences	<u>(124,039)</u>
-	163,159	1,142,090	Net Position of Governmental Activities	\$ <u>7,767,931</u>
-	390,470	2,474,858		
447	115	8,473		
-	23,194	39,646		
-	39,923	235,147		
-	388,782	388,782		
-	-	364,790		
-	26,664	26,664		
117,686	-	117,686		
-	-	30,640		
-	-	200,646		
-	-	127,438		
<u>118,133</u>	<u>478,678</u>	<u>1,539,912</u>		
<u>154,833</u>	<u>874,501</u>	<u>15,198,185</u>		

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	General Fund	Police Fund	Fire/EMS Fund	TIF Fund	Street Light Fund
REVENUES:					
Property Taxes	\$ 158,045	715,798	372,792	-	-
Income Taxes	594,041	-	-	-	-
Intergovernmental Revenue	109,955	135,026	67,559	-	28,575
Charges for Services	33,742	-	185,311	-	-
Special Assessments	-	-	-	-	372,035
Fines, Licenses and Permits	172,610	-	-	-	-
Investment Income	309	159	106	-	402
Other Revenue	140,930	15,851	8,483	-	28,555
	<u>1,209,632</u>	<u>866,834</u>	<u>634,251</u>	<u>-</u>	<u>429,567</u>
Total Revenues					
EXPENDITURES:					
Current:					
Security of Persons and Property	-	787,938	539,139	-	418,991
Public Health Services	-	-	-	-	-
Leisure Time Activities	70,033	-	-	-	-
Community Environment	-	-	-	-	-
Transportation	-	-	-	-	-
General Government	802,489	-	-	-	-
Capital Outlay	118,272	14,682	8,083	-	2,732
Debt Service:					
Principal	-	12,500	100,025	-	18,156
Interest	-	10,967	40,028	-	1,744
	<u>990,794</u>	<u>826,087</u>	<u>687,275</u>	<u>-</u>	<u>441,623</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>218,838</u>	<u>40,747</u>	<u>(53,024)</u>	<u>-</u>	<u>(12,056)</u>
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets	35	180	-	-	-
Inception of Capital Lease	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	(8,000)	(45,000)	-	-	-
	<u>(7,965)</u>	<u>(44,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	210,873	(4,073)	(53,024)	-	(12,056)
Fund Balance, Beginning of Year	<u>167,474</u>	<u>101,280</u>	<u>155,781</u>	<u>-</u>	<u>376,846</u>
Fund Balance, End of Year	\$ <u>378,347</u>	<u>97,207</u>	<u>102,757</u>	<u>-</u>	<u>364,790</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2014

Refuse Fund	Nonmajor Governmental Funds	Total Governmental Funds
-	249,622	1,496,257
-	-	594,041
-	367,140	708,255
527,137	5,974	752,164
-	-	372,035
-	-	172,610
93	442	1,511
1,967	8,778	204,564
<u>529,197</u>	<u>631,956</u>	<u>4,301,437</u>
-	71,397	1,817,465
-	13,014	13,014
-	-	70,033
504,287	-	504,287
-	560,026	560,026
-	-	802,489
43,021	72,540	259,330
8,027	26,666	165,374
624	1,779	55,142
<u>555,959</u>	<u>745,422</u>	<u>4,247,160</u>
<u>(26,762)</u>	<u>(113,466)</u>	<u>54,277</u>
-	2,682	2,897
43,021	26,787	69,808
-	53,000	53,000
-	-	(53,000)
<u>43,021</u>	<u>82,469</u>	<u>72,705</u>
16,259	(30,997)	126,982
<u>101,874</u>	<u>509,675</u>	<u>1,412,930</u>
<u>118,133</u>	<u>478,678</u>	<u>1,539,912</u>

Total Net Change in Fund Balances - Governmental Funds	\$ 126,982
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	
Capital Asset Additions	229,055
Current Year Depreciation	(407,990)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Income Taxes	(13,226)
Property Taxes	(4,112)
Intergovernmental	10,077
Charges for Services	(18,136)
Special Assessments	38,752
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	(69,808)
Repayment of debt, including capital leases, is an expenditure in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	165,374
Some expenses in reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated Absences	(13,957)
Accrued Interest	(2,125)
Change in Net Position of Governmental Activities	<u>\$ 40,886</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Balance Sheet
Enterprise Funds
December 31, 2014

	Water	Sewer	Stormwater	Total
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 530,111	435,903	100,000	1,066,014
Accounts Receivable	39,734	37,496	10,747	87,977
Supplies Inventory	3,486	1,605	-	5,091
Prepaid Items	447	561	447	1,455
Total Current Assets	573,778	475,565	111,194	1,160,537
Non-current Assets:				
Construction in Progress	-	-	3,893	3,893
Depreciable Capital Assets, net	5,082,465	4,860,135	1,877,875	11,820,475
Total Non-current Assets	5,082,465	4,860,135	1,881,768	11,824,368
Total Assets	\$ 5,656,243	5,335,700	1,992,962	12,984,905
Liabilities:				
Current Liabilities:				
Accounts Payable	\$ 337	-	-	337
Accrued Wages and Benefits	1,342	1,724	406	3,472
Accrued Interest Payable	404	4,573	170	5,147
Due to Other Governments	4,043	4,953	914	9,910
Compensated Absences Payable	6,561	7,538	974	15,073
Bond Anticipation Notes Payable	-	67,500	-	67,500
Issue II Loans Payable	70,150	36,123	1,667	107,940
Capital Lease Payable	2,064	7,022	1,720	10,806
General Obligation Bonds Payable	15,750	-	14,250	30,000
Total Current Liabilities	100,651	129,433	20,101	250,185
Long Term Liabilities:				
Compensated Absences Payable	37,177	42,714	5,516	85,407
Issue II Loans Payable	1,557,132	494,386	44,999	2,096,517
Capital Lease Payable	2,355	11,767	2,096	16,218
Long-Term Notes Payable	-	425,500	-	425,500
General Obligation Bonds Payable	-	-	15,750	15,750
Total Long Term Liabilities	1,596,664	974,367	68,361	2,639,392
Total Liabilities	1,697,315	1,103,800	88,462	2,889,577
Net Position:				
Net Investment in Capital Assets	3,435,014	3,817,837	1,801,286	9,054,137
Unrestricted	523,914	414,063	103,214	1,041,191
Total Net Position	3,958,928	4,231,900	1,904,500	10,095,328
Total Liabilities and Net Position	\$ 5,656,243	5,335,700	1,992,962	12,984,905

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2014

	Water	Sewer	Stormwater	Total
Operating Revenues:				
Charges for Services	\$ 485,717	670,028	129,912	1,285,657
Tap-In Fees	56,132	56,700	-	112,832
Other Operating Revenue	43,614	37,683	13,360	94,657
Total Operating Revenue	585,463	764,411	143,272	1,493,146
Operating Expenses:				
Personal Services	227,889	279,710	44,420	552,019
Contractual Services	102,618	155,994	31,509	290,121
Supplies and Materials	59,963	90,232	5,815	156,010
Other Expenses	11,830	936	218	12,984
Depreciation	186,594	197,719	79,468	463,781
Total Operating Expenses	588,894	724,591	161,430	1,474,915
Operating Income (Loss)	(3,431)	39,820	(18,158)	18,231
Non-Operating Revenues (Expenses):				
Interest	511	342	76	929
Grant Revenue	88,214	-	-	88,214
Interest and Fiscal Charges	(1,897)	(14,608)	(2,252)	(18,757)
Property Rental Revenue	4,462	4,462	-	8,924
Total Non-Operating Revenues (Expenses)	91,290	(9,804)	(2,176)	79,310
Income (Loss) Before Operating Transfers and Capital Contributions	87,859	30,016	(20,334)	97,541
Transfer-in	7,569	-	-	7,569
Transfer-out	-	-	(7,569)	(7,569)
Capital Contributions	30,277	-	-	30,277
Change in Net Position	125,705	30,016	(27,903)	127,818
Net Position at Beginning of Year	3,833,223	4,201,884	1,932,403	9,967,510
Net Position at End of Year	\$ 3,958,928	4,231,900	1,904,500	10,095,328

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2014

	Water	Sewer	Stormwater	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 584,746	764,171	143,456	1,492,373
Cash Payments to Employees for Services and Benefits	(227,756)	(276,181)	(43,996)	(547,933)
Cash Payments to Suppliers for Goods and Services	(159,350)	(218,971)	(32,199)	(410,520)
Net Cash Provided by Operating Activities	197,640	269,019	67,261	533,920
Cash Flows from Noncapital Financing Activities:				
Property Rental Receipts	4,462	4,462	-	8,924
Net Cash Provided by Noncapital Financing Activities:	4,462	4,462	-	8,924
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(257,241)	(72,179)	(6,072)	(335,492)
Proceeds from Loans and Notes	87,914	493,000	-	580,914
Capital Grant	88,214	-	-	88,214
Principal Paid on Capital Leases	(2,102)	(6,659)	(1,816)	(10,577)
Principal Paid on Bonds	(20,000)	-	(10,000)	(30,000)
Principal Paid on Notes	(2,200)	(560,200)	(6,400)	(568,800)
Principal Paid on Loans	(68,685)	(36,123)	(1,667)	(106,475)
Interest expense	(1,934)	(10,035)	(2,268)	(14,237)
Net Cash Used in Capital and Related Financing Activities	(176,034)	(192,196)	(28,223)	(396,453)
Cash Flows from Investing Activities:				
Interest	511	342	76	929
Net Cash Provided by Investing Activities	511	342	76	929
Net Increase (Decrease) in Cash and Cash Equivalents	26,579	81,627	39,114	147,320
Cash and Cash Equivalents Beginning of Year	503,532	354,276	60,886	918,694
Cash and Cash Equivalents End of Year	\$ 530,111	435,903	100,000	1,066,014

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

Operating Income (Loss)	\$ (3,431)	39,820	(18,158)	18,231
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	186,594	197,719	79,468	463,781
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(717)	(240)	184	(773)
(Increase) Decrease in Intergovernmental Receivable	19,500	26,148	5,200	50,848
(Increase) Decrease in Supplies Inventory	(3,486)	3,090	-	(396)
(Increase) Decrease in Prepaid Items	189	185	143	517
Increase (Decrease) in Accounts Payable	(1,142)	(1,232)	-	(2,374)
Increase (Decrease) in Accrued Salaries Payable	(1,661)	(2,753)	(162)	(4,576)
Increase (Decrease) in Due to Other Governments	369	4,326	21	4,716
Increase (Decrease) in Compensated Absences Payable	1,425	1,956	565	3,946
Net Cash Provided by Operating Activities	\$ 197,640	269,019	67,261	533,920

Capital and Related Financing Activities - Noncash Activity:

In 2014, the Storm Water fund transferred capital assets totaling \$7,569 to the Water fund. In addition, the Water fund recorded capital assets totaling \$30,277 which were financed by governmental funds. The Sewer fund recorded \$11,364 of capital assets acquired through capital lease obligations.

See accompanying notes to the basic financial statements.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1- REPORTING ENTITY

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

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

Reporting Entity

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

Government-wide Financial Statements

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Proprietary Fund Types

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

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

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

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

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

Fiduciary Funds

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transaction

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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 Outflows/Inflows of Resources

In addition to assets, the statements of financial position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral of amounts payable associated with the infrastructure construction project being managed and recorded by the Montgomery County Transportation Improvement District (MCTID). Financing for the project is provided by a SIB loan from the State of Ohio, through the Montgomery County Port Authority. Once the project is complete, the MCTID will transfer the project to the City in its entirety. The amount recorded as a deferred outflow of resources at December 31, 2014 represents the amount borrowed against the SIB loan for the project as of that date (see Note 16).

In addition to liabilities, the statements of financial position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the City, deferred inflows or resources include property taxes and unavailable revenues. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, special assessments and charges for services. These amounts are recognized as inflows of resources in the period the amounts become available.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

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

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

Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents". The City had funds in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

The City also invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2014. 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, 2014.

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 2014 amounted to \$1,511 and \$929 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.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Balances

Internal balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances". For the year ended December 31, 2014, the City reported no internal balance transactions.

Capital Assets

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fund Balance

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

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

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Net Position

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

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. At December 31, 2014, none of the reported \$1.9 million in restricted net position was restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

NOTE 3 - 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 \$1,087,823 and the bank balance was \$1,168,767. At December 31, 2014, all of the City's bank deposits were covered by federal depository insurance.

Investments: Investments are required to be reported at fair value. The Ohio Revised Code authorizes the City to invest in United States and State of Ohio Bonds, notes and other obligations; bank certificate of deposits; banker's acceptances; commercial paper notes rated prime and issued by United States Corporations; and STAROhio. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. At year end the City had investments in STAROhio of \$1,410,831. 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, 2014

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of the 2013 taxes.

The 2014 real property taxes are levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. The 2014 real property taxes are collected in and intended to finance operations in the subsequent year.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in the subsequent year along with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014 was \$18.53 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2014 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 98,203,220
Public Utility Tangible Personal Property Assessed Valuation	<u>1,459,240</u>
Total Assessed Valuation	<u>\$ 99,662,460</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and public utility tangible personal property taxes, as well as outstanding delinquencies which are measurable as of December 31, 2014, and for which there is an enforceable legal claim. On the modified accrual basis, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2014 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue, while on the modified accrual basis of accounting the revenue has been reported as deferred inflow of resources – unavailable.

NOTE 5 – 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.

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - RECEIVABLES

Receivables at December 31, 2014, 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, 2014 were \$87,977.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Governmental Activities:				
Non-depreciable capital assets				
Land	\$ 1,279,452	-	-	\$ 1,279,452
Construction in Progress	-	-	-	-
Total Non-depreciable capital assets	1,279,452	-	-	1,279,452
Depreciable capital assets				
Buildings	2,387,527	-	-	2,387,527
Equipment	2,773,839	154,238	-	2,928,077
Infrastructure	2,013,089	68,279	-	2,081,368
Improvements	227,311	-	-	227,311
Vehicles	1,888,821	6,538	-	1,895,359
Total depreciable capital assets	9,290,587	229,055	-	9,519,642
Less: accumulated depreciation				
Buildings	(539,322)	(53,447)	-	(592,769)
Equipment	(2,188,007)	(122,200)	-	(2,310,207)
Infrastructure	(212,230)	(48,568)	-	(260,798)
Improvements	(16,214)	(8,238)	-	(24,452)
Vehicles	(927,892)	(175,537)	-	(1,103,429)
Total accumulated depreciation	(3,883,665)	(407,990) *	-	(4,291,655)
Depreciable capital assets, net	5,406,922	(178,935)	-	5,227,987
Governmental Activities				
Capital Assets, Net	\$ 6,686,374	(178,935)	-	\$ 6,507,439

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

General Government	\$ 232,554
Public Safety	8,159
Transportation	167,277
Total Depreciation Expense	<u>\$ 407,990</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014
Business Type Activities:				
Non-depreciable capital assets				
Construction in Progress	\$ 7,569	3,893	(7,569)	\$ 3,893
Depreciable capital assets				
Buildings	3,221,382	-	-	3,221,382
Equipment	1,143,051	11,364	-	1,154,415
Infrastructure	16,071,491	362,908	-	16,434,399
Improvements	31,921	-	-	31,921
Vehicles	167,688	6,537	-	174,225
Total depreciable capital assets	20,635,533	380,809	-	21,016,342
Less: accumulated depreciation				
Buildings	(2,417,597)	(56,718)	-	(2,474,315)
Equipment	(909,000)	(46,827)	-	(955,827)
Infrastructure	(5,321,919)	(347,153)	-	(5,669,072)
Improvements	(2,519)	(722)	-	(3,241)
Vehicles	(81,051)	(12,361)	-	(93,412)
Total accumulated depreciation	(8,732,086)	(463,781) *	-	(9,195,867)
Depreciable capital assets, net	11,903,447	(82,972)	-	11,820,475
Business Type Activities				
Capital Assets, Net	\$ 11,911,016	(79,079)	(7,569)	\$ 11,824,368

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

Water	\$ 186,594
Sewer	197,719
Stormwater	79,468
Total Depreciation Expense	<u>\$ 463,781</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Substantially all City employees are covered by one of two pension plans, namely, the Ohio Police and Fire Pension Fund (OP&F) or the Ohio Public Employees Retirement System (OPERS). Both funds provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year).

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TPP and CP Plans. Members of the MDP do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety divisions exist only within the Traditional Plan. The 2014 member contribution rates were 10% of their annual salary for members in state and local classifications. Public safety and law enforcement members contributed at a rate of 12.0% and 13.0%, respectively. The City was required to contribute 14% of earnable salary for state and local employees and 18.1% for employees engaged in law enforcement and public safety. The City's contributions to the plans for the years ending December 31, 2014, 2013, and 2012 were \$185,502, \$174,030, and \$146,501, respectively; 100% of the required contributions were contributed for all three years. The amount paid by the City includes both the employer's contribution as well as the employee's contribution (pick-up) for certain employees.

Ohio Police and Fire Pension Fund

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

Plan members were required to contribute 10.75% of their annual covered salary from January 1, 2014 thru July 1, 2014. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to OP&F for its police officers for the years ending December 31, 2014, 2013 and 2012 were \$70,999, \$69,088, and \$58,330, respectively; 100% of the required contributions were contributed for all three years.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - POSTEMPLOYMENT BENEFITS

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

Ohio Public Employees Retirement System

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

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contributions rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members was 2.0% during calendar year 2014 for members to the traditional and combined plans. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions for 2014, 2013 and 2012 which were used to fund postemployment benefits were \$26,500, \$12,431 and \$41,855, respectively; 100% has been contributed for all three years.

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

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

Ohio Police and Fire Pension Fund

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2014, the employer contribution allocated to the health care plan was 0.50% of covered payroll for the period January 1, 2014 thru December 31, 2014. 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 2014, 2013 and 2012 that were used to fund postemployment benefits were \$1,868, \$12,815 and \$20,182, respectively; 100% has been contributed for all three years.

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - 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 \$114,151 at December 31, 2014.

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, 2014 was \$110,411.

NOTE 11 - 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 2014 the City renewed their contract with the Ohio Government Risk Management Plan. This Plan does not operate as a risk pool, but provides conventional insurance protection and reinsures these coverages 100 percent. The type of coverage and deductible for each is as follows:

<u>Type of Coverage</u>	<u>Per Occurrence</u>	<u>Deductible</u>
General Liability	\$ 5,000,000	no deductible
Police Liability	5,000,000	\$ 2,500
Errors and Omissions	5,000,000	2,500
Automobile	5,000,000	1,000
Property Insurance	9,709,802	1,000
Terrorism	9,709,802	25,000
Inland Marine	9,709,802	1,000
Special Property	1,884,743	1,000
Crime	100,000	100
EDP	102,020	250

Settled claims have not exceeded commercial coverage, nor has there been any reduction in coverage amounts, in any of the past five years.

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

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 11 - RISK MANAGEMENT (Continued)

For 2014, the City provided employee medical insurance benefits through Medical Mutual of Ohio (effective June 1, 2015 this coverage is provided through Anthem Blue Cross & Blue Shield). The City covers the employee's premiums and deductibles by budgeting \$220,000 for health insurance expenditures. This money is set aside to cover each employee's monthly premium and deductible of \$4,500 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 2014, the City made no contributions to or withdrawals from the savings account and the account has an approximate balance of \$129,011. 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 12 - CAPITALIZED LEASES

During 2014, the City entered into a lease agreement for the purchase of equipment. This lease meets the criteria to be classified as a capital lease where in both the benefits and risks of ownership were transferred to the lessee. Also, in prior years, the City entered into other lease agreements for the purchase of equipment and vehicles. The leases also meet the criteria to be classified as capital leases where in both the benefits and risks of ownership were transferred to the lessee.

Capital lease payments have been reclassified and are reflected as debt service in the respective funds instead of the functional expenditures reported on a budgetary basis. The bobcat and trailer purchased in 2014 were capitalized on the statement of net position for \$81,172. The ambulance purchased in 2012 has been capitalized on the statement of net position for \$211,645 and the dump truck has been capitalized on the statement of net position for \$209,300. Principal payments in 2014 for capital leases were \$73,951.

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, 2014.

Year ending December 31,	Capital Lease Obligation
2015	\$ 81,818
2016	54,165
2017	17,690
2018	17,690
Total minimum lease payments	171,363
Less: Amount representing interest	(8,633)
Minimum lease payments	<u>\$ 162,730</u>

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014	Amount Due In One Year
Governmental Activities:					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 964,250	\$ -	\$ (65,000)	\$ 899,250	\$ 50,000
Long-term Notes Payable	294,000	-	(37,000)	257,000	38,500
Capital lease obligation	129,272	69,808	(63,374)	135,706	66,069
Compensated Absences	110,082	31,557	(17,600)	124,039	19,850
Total governmental activities	\$ 1,497,604	\$ 101,365	\$ (182,974)	\$ 1,415,995	\$ 174,419
Business-type Activities:					
2007 Various Purpose General					
Obligation Bonds, 4.5%	\$ 75,750	\$ -	\$ (30,000)	\$ 45,750	\$ 30,000
OPWC Loans	2,223,018	87,914	(106,475)	2,204,457	107,940
Long-term Notes Payable	558,000	-	(65,000)	493,000	67,500
Capital lease obligation	26,237	11,364	(10,577)	27,024	10,806
Compensated Absences	96,534	19,396	(15,450)	100,480	15,073
Total business-type activities	\$ 2,979,539	\$ 118,674	\$ (227,502)	\$ 2,870,711	\$ 231,319

The City issued general obligation bonds in 2007 to refinance short-term bond anticipation notes issued for the construction costs associated with the repair and replacement of water and sewer lines, renovation of the municipal building and the expansion of the fire station. The general obligations bonds will be paid from the General Fund, Police Fund, Fire/EMS Fund, Street Levy Fund, Water Fund and Storm Water Fund. The City's future debt service requirements (principal and interest) for the general obligation bonds are as follows:

Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 50,000	\$ 41,744	\$ 30,000	\$ 2,425
2016	57,125	39,619	7,875	1,150
2017	57,125	36,456	7,875	575
2018	60,000	33,294	-	-
2019	60,000	30,594	-	-
2020-2024	360,000	108,644	-	-
2025-2027	255,000	23,950	-	-
Total	\$ 899,250	\$ 314,301	\$ 45,750	\$ 4,150

CITY OF UNION, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - LONG-TERM OBLIGATIONS (continued)

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

<u>Project</u>	<u>Year of Loan</u>	<u>Original Loan Amount</u>	<u>Year of Maturity</u>	<u>Debt Service Made From</u>
Rhinehart Rd Sanitary Pump Station	2008	\$ 279,273	2023	Sewer Fund
Phillipsburg-Union Rd. Sanitary Sewer	2008	496,822	2028	Sewer Fund
Sanitary Sewer Lagoon Aeration	2011	144,721	2041	Sewer Fund
Water Tower Construction	2010	1,405,000	2040	Water Fund
Shaw Rd Water Tank Recoating	2011	407,744	2031	Water Fund
Hawker Street Water Main Replacement	2014	87,914	2044	Water Fund
Concord West Channel Rehabilitation	2012	50,000	2042	Storm Water Fund

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

<u>Business-Type Activities</u>			
<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2015	\$ 107,942	2020-2024	530,017
2016	107,940	2025-2029	482,574
2017	107,942	2030-2034	322,048
2018	107,941	2035-2039	281,272
2019	107,941	2040-2044	48,840
		Total	<u>\$ 2,204,457</u>

In 2014, the City issued a bond anticipation note (BAN) to refinance two BANs issued in prior years to purchase a fire truck and to finance the Old Springfield Rd. sewer extension project. The BANs issued to purchase the fire truck (\$257,000) and finance the sewer extension project (\$493,000) matured on March 8, 2015 and were refinanced by the City by issuing a BAN totaling \$1,144,000; \$218,500 related to the purchase of the fire truck, \$425,500 related to the sewer extension project, and \$500,000 of new debt for wastewater system improvements. As the refinancing of these BANs extended the terms of past one year from the date of the end of the current fiscal year, the 2014 BANs were classified as long term obligations, with the amount the reduced amount at which the 2015 BANs were issued being reported as due within one year. The fire truck portion of the BAN is being repaid from the Fire/EMS Fund and the portion of the BAN related to the sewer extension project is repaid from the Sewer Fund.

At December 31, 2014, the City's overall legal debt margin was \$8,769,558 and the unvoted debt margin was \$3,288,123.

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, 2014

NOTE 14 - INTERFUND TRANSFERS AND BALANCES

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Transfers from the general fund are to provide additional resources for current operations as well as for debt service. The transfers from the police fund to the non-major police pension fund are regular transfers which enables the City to make its annual payment on pension obligations. The transfer from the storm water fund to the water fund represented the transfer of a capital asset during the year. The City had the following transfers during 2014:

Transfer from Fund	Transfer to Fund	Amount
General	Other Governmental	8,000
Police	Other Governmental	45,000
Storm Water	Water	7,569
	\$	60,569

On the statement of activities, the transfer from the governmental activities of \$30,277 to the business type activities, represents capital assets of the water enterprise fund that were financed through a governmental fund. On the statement of revenues, expenses and changes in fund net position of the enterprise funds, the transaction is recorded as a capital contribution in the water fund.

NOTE 15 - FEDERAL AND STATE GRANTS

For the period January 1, 2014 to December 31, 2014 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 16 – CONSTRUCTION COMMITMENTS

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

As of December 31, 2014 the Montgomery County Port Authority has drawn \$11.1 million on the SIB loan on behalf of the City to pay for construction costs to date. In accordance with the terms of the SIB loan, the amortization schedule will not be sent and subsequent payment will not be due, until the project is completed and the loan has been closed out. As such, the City has reported the \$11.1 million drawn on the SIB loan as of the end of 2014 as an intergovernmental payable with an offsetting deferred outflow of resources representing amounts are currently due for payment.

CITY OF UNION, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 17 – SUBSEQUENT EVENTS

On March 6, 2015, the City issued a various purpose general obligation bond anticipation note in the amount of \$1,144,000 (1.0 percent fixed rate) in order to refinance the 2014 outstanding bond anticipation notes associated with the fire truck purchase and the Old Springfield Rd. sewer extension, as well as to provide \$500,000 in new funding for wastewater system improvements. The 2015 note has a maturity date of March 4, 2016.

NOTE 18– PENDING IMPLEMENTATION OF ACCOUNTING PRINCIPLES

Government Accounting Standards Board (GASB) has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, but is not required to be implemented by the City until 2015. Management has not yet determined the impact this new GASB Standard will have on the City’s financial statements, but it is anticipated to be significant.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property Taxes	\$ 154,700	154,700	158,045	3,345
Municipal Income Taxes	525,000	525,000	565,166	40,166
Intergovernmental Revenue	54,100	66,360	109,412	43,052
Charges for Services	57,350	70,350	115,992	45,642
Fines, Licenses and Permits	42,600	52,250	86,117	33,867
Investment Income	140	175	286	111
Other Revenue	118,210	145,019	239,120	94,101
Total Revenues	952,100	1,013,854	1,274,138	260,284
Expenditures:				
Current:				
General Government	853,835	924,835	917,589	7,246
Capital Outlay	148,265	138,265	116,015	22,250
Total Expenditures	1,002,100	1,063,100	1,033,604	29,496
Excess of Revenues Over (Under) Expenditures	(50,000)	(49,246)	240,534	289,780
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	35	35
Transfers Out	(86,000)	(86,000)	(86,000)	-
Total Other Financing Sources (Uses)	(86,000)	(86,000)	(85,965)	35
Net Change in Fund Balance	(136,000)	(135,246)	154,569	289,815
Fund Balance, Beginning of Year	136,874	136,874	136,874	-
Fund Balance, End of Year	\$ 874	1,628	291,443	289,815

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Police Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 695,000	695,000	715,798	20,798
Intergovernmental Revenue	108,400	110,000	135,026	25,026
Investment Income	150	150	159	9
Other Revenue	12,500	13,400	15,851	2,451
Total Revenues	<u>816,050</u>	<u>818,550</u>	<u>866,834</u>	<u>48,284</u>
Expenditures:				
Current:				
Security of Persons and Property	775,028	810,528	801,592	8,936
Capital Outlay	61,555	28,555	14,682	13,873
Debt Service:				
Principal	12,500	12,500	12,500	-
Interest	10,967	10,967	10,967	-
Total Expenditures	<u>860,050</u>	<u>862,550</u>	<u>839,741</u>	<u>22,809</u>
Excess of Revenues Over (Under) Expenditures	<u>(44,000)</u>	<u>(44,000)</u>	<u>27,093</u>	<u>71,093</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	180	180
Transfers Out	(45,000)	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	<u>(45,000)</u>	<u>(45,000)</u>	<u>(44,820)</u>	<u>180</u>
Net Change in Fund Balance	(89,000)	(89,000)	(17,727)	71,273
Fund Balance, Beginning of Year	<u>95,532</u>	<u>95,532</u>	<u>95,532</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,532</u>	<u>6,532</u>	<u>77,805</u>	<u>71,273</u>

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire/EMS Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 361,500	361,500	372,792	11,292
Intergovernmental Revenue	54,950	54,950	67,559	12,609
Charges for Services	175,000	163,000	185,311	22,311
Investment Income	100	100	106	6
Other Revenue	8,000	8,000	8,483	483
Total Revenues	<u>599,550</u>	<u>587,550</u>	<u>634,251</u>	<u>46,701</u>
Expenditures:				
Current:				
Security of Persons and Property	579,722	580,123	579,947	176
Capital Outlay	-	8,100	8,083	17
Debt Service:				
Principal	331,500	331,500	331,500	-
Interest	38,402	37,901	37,901	-
Total Expenditures	<u>949,624</u>	<u>957,624</u>	<u>957,431</u>	<u>193</u>
Excess of Revenues Over (Under) Expenditures	<u>(350,074)</u>	<u>(370,074)</u>	<u>(323,180)</u>	<u>46,894</u>
Other Financing Sources (Uses):				
Proceeds from Note Issuance	257,000	257,000	257,000	-
Transfers Out	(20,000)	-	-	-
Total Other Financing Sources (Uses)	<u>237,000</u>	<u>257,000</u>	<u>257,000</u>	<u>-</u>
Net Change in Fund Balance	(113,074)	(113,074)	(66,180)	46,894
Fund Balance, Beginning of Year	<u>131,303</u>	<u>131,303</u>	<u>131,303</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 18,229</u>	<u>18,229</u>	<u>65,123</u>	<u>46,894</u>

See accompanying notes to the required supplementary information.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Light Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Special Assessments	\$ 380,000	380,000	372,035	(7,965)
Investment Income	150	150	402	252
Other Revenue	-	-	165,067	165,067
Total Revenues	<u>380,150</u>	<u>380,150</u>	<u>537,504</u>	<u>157,354</u>
Expenditures:				
Current:				
Security of Persons and Property	388,609	446,609	440,347	6,262
Capital Outlay	341,541	283,541	139,244	144,297
Total Expenditures	<u>730,150</u>	<u>730,150</u>	<u>579,591</u>	<u>150,559</u>
Excess of Revenues Over (Under) Expenditures	<u>(350,000)</u>	<u>(350,000)</u>	<u>(42,087)</u>	<u>307,913</u>
Net Change in Fund Balances	(350,000)	(350,000)	(42,087)	307,913
Fund Balance, Beginning of Year	<u>375,349</u>	<u>375,349</u>	<u>375,349</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 25,349</u>	<u>25,349</u>	<u>333,262</u>	<u>307,913</u>

See accompanying notes to the basic financial statements.

CITY OF UNION
MONTGOMERY COUNTY, OHIO
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Refuse Fund
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Charges for Services	508,980	508,980	526,576	17,596
Investment Income	20	20	93	73
Other Revenue	1,000	1,000	1,967	967
Total Revenues	510,000	510,000	528,636	18,636
Expenditures:				
Current:				
Community Environment	523,030	533,030	514,109	18,921
Capital Outlay	64,190	54,190	-	54,190
Debt Service:				
Principal	6,500	6,500	800	5,700
Interest	280	280	12	268
Total Expenditures	594,000	594,000	514,921	79,079
Excess of Revenues Over (Under) Expenditures	(84,000)	(84,000)	13,715	97,715
Other Financing Uses:				
Transfers Out	(1,000)	(1,000)	-	1,000
Net Change in Fund Balances	(85,000)	(85,000)	13,715	98,715
Fund Balance, Beginning of Year	94,544	94,544	94,544	-
Fund Balance, End of Year	\$ 9,544	9,544	108,259	98,715

See accompanying notes to the required supplementary information.

CITY OF UNION, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

BUDGETARY BASIS OF ACCOUNTING

Budgetary Process

All funds, except for agency funds, are legally required to be budgeted and appropriated before any expenditure may be made out of the respective funds. For 2014, the TIF Fund did not realize any cash receipts, disbursements or encumbrances and therefore the City did not include this fund within its budget receipts or appropriations. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by the Council at the object level for all funds.

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

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

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

Budget to GAAP Reconciliation

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

CITY OF UNION, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

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). In addition, the refuse fund recognized a capital lease in the GAAP statements which did not provide resources on the budgetary statements.
5. The Parks and Recreation fund is combined with the General Fund for reporting purposes as it has no restricted or committed revenue sources, however, it is legally required to have a separate budget adopted and therefore not combined with the General Fund on the budget basis.

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

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

	<u>General</u>	<u>Police</u>	<u>Fire/EMS</u>	<u>Street Light</u>	<u>Refuse</u>
GAAP Basis	\$ 210,873	\$ (4,073)	\$ (53,024)	\$ (12,056)	\$ 16,259
Revenue Accruals	72,793	-	-	107,937	(561)
Expenditure Accruals	(115,100)	(13,654)	(270,156)	(137,968)	41,038
Fund Debt Components	-	-	257,000	-	(43,021)
Combined Funds with Legally Adopted Separate Budgets	<u>(13,997)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budget Basis	<u>\$ 154,569</u>	<u>\$ (17,727)</u>	<u>\$ (66,180)</u>	<u>\$ (42,087)</u>	<u>\$ 13,715</u>

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Dave Yost • Auditor of State

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Union, Montgomery County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 31, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

August 31, 2015



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
SEPTEMBER 29, 2015**