

VILLAGE OF UNION CITY
DAYTON REGION, DARKE COUNTY
REGULAR AUDIT
JANUARY 1, 2001 – DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Village Council
Village of Union City
401 Elm Street
Union City, OH 45390

We have reviewed the Independent Auditor's Report of the Village of Union City, Darke County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2001 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 21, 2003

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**VILLAGE OF UNION CITY
DARKE COUNTY**

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**VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

REPORT OF INDEPENDENT ACCOUNTANTS

Village Council
Village of Union City
Darke County
401 East Elm Street
Union City, Ohio 45390

We have audited the accompanying financial statements of the Village of Union City, Darke County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Union City, Darke County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued our report dated June 11, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 11, 2003

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**VILLAGE OF UNION CITY
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Taxes	\$ 389,892	\$ 42,255	\$ 0	\$ 432,147
Intergovernmental Receipts	45,531	78,483	0	124,014
Charges for Services	26,698	193,566	0	220,264
Fines, Licenses and Permits	30,963	2,549	0	33,512
Earnings on Investments	4,011	362	0	4,373
Miscellaneous	5,287	1,545	0	6,832
Total Cash Receipts	<u>502,382</u>	<u>318,760</u>	<u>0</u>	<u>821,142</u>
Cash Disbursements:				
Current:				
Security of Person and Property	252,698	49,641	0	302,339
Public Health	3,926	134,464	0	138,390
Leisure Time Activities	0	3,953	0	3,953
Community Environment	3,107	0	0	3,107
Transportation	66,953	62,658	0	129,611
General Government	153,390	0	0	153,390
Capital Outlay	66,354	1,426	4,072	71,852
Debt Service: Principal	121,469	213,000	0	334,469
Interest	8,708	6,165	0	14,873
Total Cash Disbursements	<u>676,605</u>	<u>471,307</u>	<u>4,072</u>	<u>1,151,984</u>
Total Receipts Over/(Under) Disbursements	<u>(174,223)</u>	<u>(152,547)</u>	<u>(4,072)</u>	<u>(330,842)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Notes	113,871	190,000	0	303,871
Sale of Fixed Assets	15,000	0	14,935	29,935
Total Other Financing Receipts/(Disbursements)	<u>128,871</u>	<u>190,000</u>	<u>14,935</u>	<u>333,806</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(45,352)	37,453	10,863	2,964
Fund Cash Balances, January 1, 2002	<u>104,890</u>	<u>46,872</u>	<u>1,065</u>	<u>152,827</u>
Fund Cash Balances, December 31, 2002	<u>59,538</u>	<u>84,325</u>	<u>11,928</u>	<u>155,791</u>
Reserve for Encumbrances, December 31, 2002	\$ <u>9,966</u>	\$ <u>7,412</u>	\$ <u>0</u>	\$ <u>17,378</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF UNION CITY
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	PROPRIETARY FUND TYPE <u>Enterprise</u>	FIDUCIARY FUND TYPE <u>Agency</u>	Total (Memorandum Only)
Operating Cash Receipts:			
Changes for Services	\$ 337,910	\$ 0	\$ 337,910
Miscellaneous	<u>104</u>	<u>0</u>	<u>104</u>
Total Operating Cash Receipts	<u>338,014</u>	<u>0</u>	<u>338,014</u>
Operating Cash Disbursements:			
Personal Services	146,153	0	146,153
Contractual Services	65,379	0	65,379
Supplies and Materials	21,720	0	21,720
Capital Outlay	<u>24,770</u>	<u>0</u>	<u>24,770</u>
Total Operating Cash Disbursements	<u>258,022</u>	<u>0</u>	<u>258,022</u>
Operating Income (Loss)	<u>79,992</u>	<u>0</u>	<u>79,992</u>
Non-Operating Cash Receipts (Disbursements)			
Sale of Notes	18,000	0	18,000
Other Non-Operating Receipts	58,734	37,470	96,204
Other Non-Operating Expenses	0	(36,470)	(36,470)
Debt Service: Principal	(56,000)	0	(56,000)
Interest	<u>(14,384)</u>	<u>0</u>	<u>(14,384)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>6,350</u>	<u>1,000</u>	<u>7,350</u>
Excess of Cash Receipts Over/(Under)	86,342	1,000	87,342
Fund Cash Balances, January 1, 2002	<u>503,303</u>	<u>2,080</u>	<u>505,383</u>
Fund Cash Balances, December 31, 2002	<u>589,645</u>	<u>3,080</u>	<u>592,725</u>
Reserve for Encumbrances, December 31, 2002	\$ <u>798</u>	\$ <u>0</u>	\$ <u>798</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF UNION CITY
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Taxes	\$ 394,390	\$ 43,473	\$ 0	\$ 437,863
Intergovernmental Receipts	46,955	134,226	0	181,181
Charges for Services	14,667	131,635	0	146,302
Fines, Licenses and Permits	34,843	3,330	0	38,173
Interest	8,874	661	0	9,535
Miscellaneous	10,307	4,718	0	15,025
Total Cash Receipts	<u>510,036</u>	<u>318,043</u>	<u>0</u>	<u>828,079</u>
Cash Disbursements:				
Current:				
Security of Person and Property	263,526	49,204	0	312,730
Public Health	3,921	115,884	0	119,805
Leisure Time Activities	0	19,351	0	19,351
Community Environment	3,362	0	0	3,362
Transportation	39,380	108,294	0	147,674
General Government	156,375	522	0	156,897
Capital Outlay	0	23,686	59,935	83,621
Debt Service: Principal	89,936	231,078	0	321,014
Interest	7,524	11,265	0	18,789
Total Cash Disbursements	<u>564,024</u>	<u>559,284</u>	<u>59,935</u>	<u>1,183,243</u>
Total Receipts Over/(Under) Disbursements	<u>(53,988)</u>	<u>(241,241)</u>	<u>(59,935)</u>	<u>(355,164)</u>
Other Financing Receipts/(Disbursements):				
Sale of Notes	67,000	229,550	0	296,550
Sale of Assets	16,500	3,500	5,500	25,500
Total Other Financing Receipts/(Disbursements)	<u>83,500</u>	<u>233,050</u>	<u>5,500</u>	<u>322,050</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	29,512	(8,191)	(54,435)	(33,114)
Fund Cash Balances, January 1, 2001	<u>75,378</u>	<u>55,063</u>	<u>55,500</u>	<u>185,941</u>
Fund Cash Balances, December 31, 2001	<u>104,890</u>	<u>46,872</u>	<u>1,065</u>	<u>152,827</u>
Reserve for Encumbrances, December 31, 2001	<u>\$ 7,213</u>	<u>\$ 1,704</u>	<u>\$ 0</u>	<u>\$ 8,917</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF UNION CITY
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	PROPRIETARY FUND TYPE <u>Enterprise</u>	FIDUCIARY FUND TYPE <u>Agency</u>	Total (Memorandum Only)
Operating Cash Receipts:			
Changes for Services	\$ 320,770	\$ 0	\$ 320,770
Miscellaneous	<u>26</u>	<u>0</u>	<u>26</u>
Total Operating Cash Receipts	<u>320,796</u>	<u>0</u>	<u>320,796</u>
Operating Cash Disbursements:			
Personal Services	135,902	0	135,902
Contractual Services	61,446	0	61,446
Supplies and Materials	26,220	0	26,220
Capital Outlay	<u>37,565</u>	<u>0</u>	<u>37,565</u>
Total Operating Cash Expenses	<u>261,133</u>	<u>0</u>	<u>261,133</u>
Operating Income	<u>59,663</u>	<u>0</u>	<u>59,663</u>
Non-Operating Cash Receipts (Disbursements):			
Sale of Notes	25,000	0	25,000
Other Non-Operating Receipts	21,104	37,602	58,706
Other Non-Operating Expenses	0	(38,543)	(38,543)
Debt Service: Principal	(61,000)	0	(61,000)
Interest	<u>(16,395)</u>	<u>0</u>	<u>(16,395)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>(31,291)</u>	<u>(941)</u>	<u>(32,232)</u>
Excess of Cash Receipts Over (Under)	28,372	(941)	27,431
Fund Cash Balances, January 1, 2001	<u>474,931</u>	<u>3,021</u>	<u>477,952</u>
Fund Cash Balances, December 31, 2001	<u>503,303</u>	<u>2,080</u>	<u>505,383</u>
Reserve for Encumbrances, December 31, 2001	\$ <u>241</u>	\$ <u>0</u>	\$ <u>241</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Union City, Darke County, Ohio (the Village) is a body corporate and public established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer, refuse service, and police and fire protection services.

The Village's management believes these financial statements present all activities for which the Village's management is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund:

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds:

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Village streets.

State Highway Improvement Fund – This fund receives intergovernmental shared revenue to maintain, repair, and improve the state highway.

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for construction, maintenance, and repair of Village streets.

Fire Equipment Fund – This fund receives money from fire contracts with the townships.

Rescue Fund – This fund receives money from charges for services for EMT runs and EMT contracts with townships.

Capital Projects Funds:

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Funds – The Village received a grant from the State of Ohio for street reconstruction.

Enterprise Funds:

These funds account for operations that are similar to private enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following enterprise funds:

Water Fund – This fund receives the revenue from water sales to Village residents. Water system operating expenditures are charged to this fund.

Sewer Fund – This fund receives revenue from sewer operations within the Village. Sewer system operating expenditures are charged to this fund.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Mayor's Court Fund – This agency fund records the financial activity of the Village's Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimate Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus the unencumbered cash balance as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Sick Leave

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon retirement. Unpaid sick leave is not reflected as a liability under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of cash and investments at December 31 was as follows:

	2002	2001
Demand Deposits	\$ 334,305	\$ 266,233
Certificates of Deposit	<u>414,211</u>	<u>391,977</u>
Totals	<u>\$ 748,516</u>	<u>\$ 658,210</u>

Deposits:

Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2002 AND 2001**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2002 and 2001 was as follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 628,081	\$ 631,253	\$ 3,172
Special Revenue	475,619	508,760	33,141
Capital Projects	15,935	14,935	(1,000)
Enterprise Funds	386,795	414,748	27,953
Total	<u>\$ 1,506,430</u>	<u>\$ 1,569,696</u>	<u>\$ 63,266</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 732,612	\$ 686,571	\$ 46,041
Special Revenue	522,491	478,719	43,772
Capital Projects	17,000	4,072	12,928
Enterprise Funds	872,098	329,204	542,894
Total	<u>\$ 2,144,201</u>	<u>\$ 1,498,566</u>	<u>\$ 645,635</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 570,620	\$ 593,536	\$ 22,916
Special Revenue	543,140	551,093	7,953
Capital Projects	5,500	5,500	0
Enterprise Funds	354,739	366,900	12,161
Total	<u>\$ 1,473,999</u>	<u>\$ 1,517,029</u>	<u>\$ 43,030</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 578,998	\$ 571,237	\$ 7,761
Special Revenue	598,203	560,988	37,215
Capital Projects	61,000	59,935	1,065
Enterprise Funds	804,668	338,769	465,899
Total	<u>\$ 2,042,869</u>	<u>\$ 1,530,929</u>	<u>\$ 511,940</u>

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

This locally levied tax of 1.75% applies to gross salaries, wages, and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located in the Village.

6. CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation that the Village's legal counsel anticipates a loss.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

7. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Water System Note	\$233,000	5.00%
Fire Truck Note	60,000	5.25%
Building Note	22,500	3.35%
Fire Truck Note	165,000	6.00%
State Grant Note	22,240	6.00%
Ambulance Note	25,000	5.25%
Water Lines Note	18,000	5.75%
Operating Note	<u>8,275</u>	3.60%
TOTAL	<u>\$554,015</u>	

The Water System Note was issued for improvements to the water system. The Fire Truck, Police Cruiser, Ambulance, and Street Sweeper Notes were issued for purchases of those respective assets. The State Grant Note was issued for village's share of grant for revitalization project. The notes are renewed annually.

The Village purchased a building for administrative offices. The purchase is a land contract with two payments of \$22,500 each. A Bank Note was issued for the first payment. The second payment is due in 2003.

Amortization of the long term debt, that is not renewed annually, including interest, is scheduled as follows:

Year Ending December 31	Water System Notes
2003	\$ 17,650
2004	17,350
2005	18,050
2006	17,700
2007	17,350
2008	18,000
2009-2024	<u>283,500</u>
TOTAL	<u>\$389,600</u>

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

8. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PFDPF members contributed 10% of their gross wages. The Village contributed an amount equal to 19.5% of their gross wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

**VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

**REPORT OF INDEPENDENT ACCOUNTANTS ON
COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

Village Council
Village of Union City
401 East Elm Street
Union City, Ohio 45390

We have audited the financial statements of the Village of Union City, Darke County (the Village), as of and for the years ended December 2002 and 2001, and have issued our report thereon dated June 11, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated June 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 11, 2003.

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This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 11, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF UNION CITY

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2003**