

VILLAGE OF UNION CITY

DAYTON REGION, DARKE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Union City, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

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

Dave Yost
Auditor of State

June 27, 2011

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**VILLAGE OF UNION CITY
DARKE COUNTY**

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

INDEPENDENT AUDITORS' REPORT

Mayor and Members of 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, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Union city, Darke County, Ohio, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

For the years ended December 31, 2010 and 2009, the Village revised its financial presentation comparable to the regulatory format presentation as prescribed by the Auditor of State of Ohio. See Note 9 Change in basis of accounting and restatement of fund equity.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 16, 2011

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**VILLAGE OF UNION CITY
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	GOVERNMENTAL FUND TYPES			Total
	General	Special Revenue	Debt Service	(Memorandum Only)
Cash Receipts:				
Property & Local Taxes	\$ 185,107	\$ 40,432	\$ 0	\$ 225,539
Municipal Income Taxes	215,025	0	0	215,025
Intergovernmental Receipts	18,172	96,171	0	114,343
Charges for Services	94,875	366,054	0	460,929
Fines, Licenses, Permits	38,375	5,375	0	43,750
Earnings on Investments	1,788	2	0	1,790
Miscellaneous	5,501	9,919	0	15,420
Total Cash Receipts	558,843	517,953	0	1,076,796
Cash Disbursements:				
Current:				
Security of Persons & Property	219,142	338,534	0	557,676
Public Health Services	4,370	0	0	4,370
Leisure Time Activities	0	1,540	0	1,540
Community Environment	25	0	0	25
Basic Utility Services	64,964	0	0	64,964
Transportation	16,153	62,849	0	79,002
General Government	205,243	16,858	0	222,101
Debt:				
Redemption of Principal	0	13,830	28,817	42,647
Interest and Other Fiscal Charges	0	4,180	3,645	7,825
Total Cash Disbursements	509,897	437,791	32,462	980,150
Total Receipts Over/(Under) Disbursements	48,946	80,162	(32,462)	96,646
Other Financing Receipts/(Disbursements):				
Transfers-In	0	0	32,462	32,462
Transfers-Out	(32,462)	0	0	(32,462)
Advances-In	5,500	0	0	5,500
Advances-Out	0	(5,500)	0	(5,500)
Total Other Financing Receipts (Disbursements)	(26,962)	(5,500)	32,462	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	21,984	74,662	0	96,646
Fund Cash Balances, January 1	28,422	57,880	0	86,302
Fund Cash Balances, December 31	\$ 50,406	\$ 132,542	\$ 0	\$ 182,948

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 CASH FUND BALANCES - ALL PROPRIETARY AND
SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 395,187	\$ 0	\$ 395,187
Fines, Licenses and Permits	0	47,586	47,586
Miscellaneous	12,025	0	12,025
Total Operating Cash Receipts	<u>407,212</u>	<u>47,586</u>	<u>454,798</u>
Operating Cash Disbursements:			
Personal Service	126,444	0	126,444
Travel Transportation	19	0	19
Contractual Services	124,842	0	124,842
Supplies & Materials	12,663	0	12,663
Other	0	45,055	45,055
Capital Outlay	8,736	0	8,736
Total Operating Cash Disbursements	<u>272,704</u>	<u>45,055</u>	<u>317,759</u>
Operating Income (Loss)	<u>134,508</u>	<u>2,531</u>	<u>137,039</u>
Non-Operating Receipts/(Disbursements):			
Redemption of Principal	(56,885)	0	(56,885)
Interest & Other Fiscal Charges	(8,070)	0	(8,070)
Total Non-Operating Receipts/(Disbursements)	(64,955)	0	(64,955)
Net Income/(Loss)	<u>69,553</u>	<u>2,531</u>	<u>72,084</u>
Fund Cash Balances, January 1	<u>223,346</u>	<u>1,939</u>	<u>225,285</u>
Fund Cash Balances, December 31	<u>\$ 292,899</u>	<u>\$ 4,470</u>	<u>\$ 297,369</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 CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	GOVERNMENTAL FUND TYPES				Total
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)
Cash Receipts:					
Property & Local Taxes	\$ 182,304	\$ 39,704	\$ 0	\$ 0	\$ 222,008
Municipal Income Taxes	230,004	0	0	0	230,004
Intergovernmental Receipts	21,721	88,638	0	100,000	210,359
Charges for Services	89,433	298,644	0	0	388,077
Fines, Licenses, Permits	25,460	4,927	0	0	30,387
Earnings on Investments	5,137	0	0	0	5,137
Miscellaneous	6,182	2,906	0	0	9,088
Total Cash Receipts	560,241	434,819	0	100,000	1,095,060
Cash Disbursements:					
Current:					
Security of Persons & Property	245,261	308,546	0	0	553,807
Public Health Services	4,532	0	0	0	4,532
Leisure Time Activities	0	1,211	0	0	1,211
Basic Utility Services	60,595	0	0	0	60,595
Transportation	37,829	74,604	0	280,631	393,064
General Government	195,492	22,569	0	0	218,061
Debt:					
Redemption of Principal	0	129,678	141,583	0	271,261
Interest and Other Fiscal Charges	0	5,907	1,523	0	7,430
Total Cash Disbursements	543,709	542,515	143,106	280,631	1,509,961
Total Receipts Over/(Under) Disbursements	16,532	(107,696)	(143,106)	(180,631)	(414,901)
Other Financing Receipts/(Disbursements):					
Debt Proceeds	170,915	105,107	0	0	276,022
Sale of Fixed Assets	1,600	0	0	0	1,600
Transfers-In	0	0	143,106	69,690	212,796
Transfers-Out	(191,165)	(5,191)	0	(16,440)	(212,796)
Advances-In	0	5,500	0	0	5,500
Advances-Out	(5,500)	0	0	0	(5,500)
Total Other Financing Receipts (Disbursements)	(24,150)	105,416	143,106	53,250	277,622
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,618)	(2,280)	0	(127,381)	(137,279)
Fund Cash Balances, January 1	36,040	60,160	0	127,381	223,581
Fund Cash Balances, December 31	\$ 28,422	\$ 57,880	\$ 0	\$ 0	\$ 86,302

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 CASH FUND BALANCES - ALL PROPRIETARY AND
SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 409,923	\$ 0	\$ 409,923
Fines, Licenses and Permits	0	24,379	24,379
Miscellaneous	18,397	0	18,397
Total Operating Cash Receipts	<u>428,320</u>	<u>24,379</u>	<u>452,699</u>
Operating Cash Disbursements:			
Personal Service	119,051	0	119,051
Contractual Services	138,016	0	138,016
Supplies & Materials	16,782	0	16,782
Other	0	24,135	24,135
Capital Outlay	7,810	0	7,810
Total Operating Cash Disbursements	<u>281,659</u>	<u>24,135</u>	<u>305,794</u>
Operating Income (Loss)	<u>146,661</u>	<u>244</u>	<u>146,905</u>
Non-Operating Receipts/(Disbursements):			
Debt Proceeds	254,500	0	254,500
Redemption of Principal	(324,621)	0	(324,621)
Interest & Other Fiscal Charges	(15,191)	0	(15,191)
Total Non-Operating Receipts/(Disbursements)	<u>(85,312)</u>	<u>0</u>	<u>(85,312)</u>
Net Income/(Loss)	<u>61,349</u>	<u>244</u>	<u>61,593</u>
Fund Cash Balances, January 1	<u>161,997</u>	<u>1,695</u>	<u>163,692</u>
Fund Cash Balances, December 31	<u>\$ 223,346</u>	<u>\$ 1,939</u>	<u>\$ 225,285</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, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Union City, Darke County, Ohio (the Village), is a political and corporate body established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A six-member Council, elected at large for four-year terms, directs the Village. Council annually elects one member to serve as President of Council. The Mayor is elected to a four-year term and votes only to break a tie. The Village provides general governmental services, including water, sewer, and electric utilities, street construction maintenance and repair, refuse services, park operations, and fire and police services.

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

Union City Community Improvement Corporation

The Union City Community Improvement Corporation (CIC) was formed to advance, encourage, and promote the industrial, economic, commercial, and civic development of the Village of Union City, Ohio, by acting as a designated agency of the Village for the industrial, commercial, distribution, and research development in such political subdivision in accordance with Section 1724.10 of the Ohio Revised Code.

The CIC is governed by a board of trustees consisting of no more than fifteen members. The trustees manage and oversee the operation of the corporation.

For the years ended December 31, 2010 and 2009 financial information can be obtained by contacting Mary Ann Teeter, Treasurer, 401 East Elm Street, Union City, Ohio 45390.

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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

**VILLAGE OF UNION CITY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 used to account for all activities of the Village not required to be accounted for in another fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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.

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

Police Levy Fund – This fund receives money from a levy which is used to support the police department.

Debt Service Funds

These funds are used to accumulate resources for the payment of indebtedness.

Capital Project Funds

These funds are used to accumulate resources for the payment of construction, improvements, and purchase of equipment for the Village. The Village has one capital project fund which is used to accumulate resources for capital projects.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise Funds

These funds account for operations that are similar to private business 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 significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover the cost of providing water services.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing sewer services.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following fiduciary Agency fund:

Mayor's Court – This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds collected in part are on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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.

Estimated Resources

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

**VILLAGE OF UNION CITY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are cancelled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities 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:

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$ 255,376	\$ 89,177
Certificates of Deposit	<u>220,471</u>	<u>220,471</u>
Total Deposits	<u>\$ 475,847</u>	<u>\$ 309,648</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 YEARS ENDED DECEMBER 31, 2010 and 2009

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 as follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 558,381	\$ 558,843	\$ 462
Special Revenue	473,285	517,953	44,668
Debt Service	33,527	32,462	(1,065)
Enterprise	429,592	407,212	(22,380)
Total	<u>\$ 1,494,785</u>	<u>\$ 1,516,470</u>	<u>\$ 21,685</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 586,803	\$ 542,359	\$ 44,444
Special Revenue	525,660	437,791	87,869
Debt Service	33,524	32,462	1,062
Enterprise	652,935	337,659	315,276
Total	<u>\$ 1,798,922</u>	<u>\$ 1,350,271</u>	<u>\$ 448,651</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 787,459	\$ 732,756	\$ (54,703)
Special Revenue	561,520	539,926	(21,594)
Debt Service	143,106	143,106	0
Capital Projects	174,887	169,690	(5,197)
Enterprise	626,923	682,820	55,897
Total	<u>\$ 2,293,895</u>	<u>\$ 2,268,298</u>	<u>\$ (25,597)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 758,984	\$ 734,874	\$ 24,110
Special Revenue	613,279	547,706	65,573
Debt Service	143,106	143,106	0
Capital Projects	302,268	297,071	5,197
Enterprise	788,920	621,471	167,449
Total	<u>\$ 2,606,557</u>	<u>\$ 2,344,228</u>	<u>\$ 262,329</u>

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

3. BUDGETARY, (Continued)

Ohio Rev. Code Section 5705.36 requires all subdivision to request reduced amended certificates upon determination that revenue will be less than the official certificate of estimated resources. Contrary to Ohio Law, estimated receipts exceeded actual receipts in 2010 in the general obligation debt services, water and sanitary sewer funds by \$1,065, \$9,297 and \$13,083, respectively. In 2009, estimated receipts exceeded actual receipts in the general, permissive motor vehicle, fire & rescue and capital projects funds by \$54,703, \$4,892, \$22,600 and \$5,197, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by 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

The Village levies a 1.75 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 1.75 percent of the 1.75 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax collections were \$215,025 and \$230,004 for 2010 and 2009, respectively.

**VILLAGE OF UNION CITY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Elm Street Properties	\$ 82,678	4.43%
Commerce Park & Sanitary Sewer	170,196	3.93%
OPWC - Elm Street	273,837	0.00%
Ambulance E553-3	86,814	4.43%
OPWC - Water Tower	156,030	0.00%
ONB Water Tower	<u>23,102</u>	4.32%
Total	<u>\$ 792,657</u>	

The Commerce Park and Sewer promissory note was issued in October 2009 for storm sewer upgrades and improvements to Commerce Park. The Note is financed through Old National Bank and will mature in October 2011.

The Elm Street OPWC loan was issued for improvements to Elm Street. The no interest loan was obtained through Ohio Public Works Commission (OPWC) and matures in January 2029.

The Ambulance promissory note was issued in August 2009 and represents the refinancing of the original ambulance note which was issued in 2007. The note matures in August 2011.

The Water Tower note was issued for the construction of a new water tower. The note is financed by Ohio Public Works Commission. Maturity July 1, 2025.

The Water System note was issued for improvements to the water system. The note will be repaid in 2011.

The following is a summary of the Village's future annual debt service requirements:

Year	OPWC Water	OPWC Elm Street	Other Notes Renewed Biannually	
			Principal	Interest
2011	\$ 10,402	\$ 14,802	\$ 205,462	\$ 10,155
2012	10,402	14,802	157,328	3,094
2013	10,402	14,802	0	0
2014	10,402	14,802	0	0
2015	10,402	14,802	0	0
2016 - 2020	52,010	74,010	0	0
2021 - 2025	52,010	74,010	0	0
2026 - 2030	0	51,807	0	0
Totals	<u>\$156,030</u>	<u>\$273,837</u>	<u>\$ 362,790</u>	<u>\$ 13,249</u>

**VILLAGE OF UNION CITY
DARKE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F) or the Ohio Public Employees' Retirement System (OPERS). Other full-time employees belong to OPERS. OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contributions rates. For 2010 and 2009, OP&F participants contributed 10.1 percent of their wages and the Village contributed an amount equal to 19.5 percent and 24.0 percent of covered payroll for police officers and firefighters, respectively. For 2010 and 2009, OPERS members contributed 10 percent of gross salaries and the Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio political subdivisions. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or before January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in the amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. The Village can elect up to \$10,000,000 in additional coverage, with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount is increased to up \$300,000 in 2008. For 2009, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate stop loss payment.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

8. RISK MANAGEMENT (Continued)

For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate stop loss payment. Travelers provided aggregate stop loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$300,000 in 2009, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective village.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Retained Earnings	<u>\$21,118,036</u>	<u>\$20,459,329</u>

Additional financial information may be obtained at www.pepohio.org.

At December 31, 2009 and 2008 (the latest information available), respectively, casualty coverage liabilities noted above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.1 million and \$13.7 million of unpaid claims to be billed to approximately 447 member political subdivisions in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

9. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

For 2009 and 2010 the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Last year the Village had implemented the cash basis of accounting, which included fund financial statements presenting each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of equity due to this change.

For the year ended December 31, 2009 and 2010, the Village revised its financial presentation comparable to the regulatory basis of accounting as prescribed by the State Auditor's Office.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2011 the date on which the financial statements were available for issue.

11. CONTINGENCIES

As of December 31, 2010, the Village is a defendant in various cases. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not have a material adverse affect on the Village's financial condition.

11. UNION CITY COMMUNITY IMPROVEMENT CORPORATION

An agreement establishing the Union City Community Improvement Corporation Loan was entered into on December 14, 2005, in the amount of \$344,401 for the purpose of paying the cost of acquiring real estate for economic development in the Village.

The Village guarantees the debt of the CIC. For years ended December 31, 2010 and 2009 the Village paid \$41,842 to fund the debt payments on behalf of the CIC. Balance of the loan at December 31, 2010 was \$225,608. Monthly payments of principal and interest of \$3,487 at 3.34%.

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

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

Mayor and Members of Council
Village of Union city
Darke County
401 East Elm Street
Union city, Ohio 45390

We have audited the financial statements of the Village of Union city, Darke County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 16, 2011, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Therefore we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider Finding Number 2010-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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, providing an opinion 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 instances of noncompliance or other matters that we must report under *Government Auditing Standard* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 16, 2011.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 16, 2011

**VILLAGE OF UNION CITY
DARKE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2010-001

Material Weakness - Village Books and Records

Ohio Admin Code Section 117-2 provides that the Fiscal Officer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The following misstatements were noted:

- Debt transactions of principal and interest were not properly classified, including debt renewals
- Transfers-in and transfers-out were not properly reflected on the annual report

Sound financial reporting is the responsibility of the Fiscal Officer and Members of Council and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. The Village should implement monitoring procedures to ensure that the financial statements, Annual Reports, accurately report the financial activity of the Village. These financial statements have been adjusted to reflect the above.

Response: The Village will ensure proper recording and reporting of financial activity in the future.

**VILLAGE OF UNION CITY
DARKE COUNTY**

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-002

Ohio Rev. Code, Section 5705.36, requires all subdivisions to request reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The intent of this requirement is to require the Fiscal Officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. The actual receipts were below estimated receipts for the Village in the following funds:

Fund	Estimated Receipts	Actual Receipts	Variance
2010			
General Obligation Bond	\$100,000	\$98,935	(\$1,065)
Water	220,268	210,971	(9,297)
Sewer	209,324	196,241	(13,083)
2009			
General	787,459	732,756	(54,703)
Permissive	11,880	6,988	(4,892)
Rescue/Fire	325,651	303,051	(22,600)
Capital Projects	174,887	169,690	(5,197)

Failure to properly monitor estimated resources could result in overspending of monies and cause the Village to have negative fund balances. We recommend that the Village monitor its actual receipts throughout the year, enter estimated receipts into the general ledger, and prepare amended official certificates of estimated resources as necessary.

Response: The Village Council and Fiscal Officer recognize the importance of budgetary law and plan to monitor budgetary receipts in the future.

**VILLAGE OF UNION CITY
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; Explain
2008-001	ORC Sec. 5705.41(D) - Failure to certify availability of funds prior to incurring the obligation	Yes	
2008-002	ORC Sec. 5705.36 - Estimated receipts exceeded actual	No	Reissued as Finding 2010-002
2008-003	ORC Sec 733.28 maintain the books and records of the Village	No	Reissued as Finding 2010-001
2008-004	ORC Sec. 5705.41(B) - Expenditures exceeded appropriations	Yes	



Dave Yost • Auditor of State

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
JULY 7, 2011