

**VILLAGE OF UNION CITY**  
DAYTON REGION, DARKE COUNTY  
**REGULAR AUDIT**  
FOR THE YEAR ENDED DECEMBER 31, 2007





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Union City  
419 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, 2007 through December 31, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 29, 2009

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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**

Village of Union City  
Darke County  
419 Elm Street  
P.O. Box 10  
Union City, Ohio 45390

To the Village Mayor and Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and aggregate remaining fund information of the Village of Union City, Darke County, Ohio, (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. 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 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 discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Union City, Darke County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Fire/Rescue Fund, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2009, 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 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 be read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basis financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 14, 2009

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**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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This discussion and analysis of the Village of Union City's financial performance provides an overall review of the Villages financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased \$107,453, or 35 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund. However, a general decrease affected most funds.

The Village's general receipts are primarily property and income taxes. These receipts represent \$456,284 or 32 percent of total cash received for governmental activities in 2007.

The Village's has two business-type activities. The Water fund's disbursements were greater than revenue due to the repayment of debt. Disbursements for the Sewer fund were greater than revenue.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's accounting basis.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities and its component units of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

The Village also has a Component Unit (CPU) fund which is the Union City Community Improvement Corporation (CIC). This fund is a separate fund developed for Economic development. This fund is reported on the Villages financial statements solely as a CPU fund.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has two business-type activities water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. In 2007, the Village's major governmental funds are the general and fire/rescue, funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has two enterprise funds, the water fund and sewer fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the Village-wide financial statements because the resources of these funds are not available to support the Village's programs. The Village has one fiduciary fund, the Mayors Court fund.

**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2007 compared to 2006 (restated) on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>						
Cash and Cash Equivalents	<u>202,414</u>	<u>309,867</u>	<u>160,028</u>	<u>268,306</u>	<u>362,442</u>	<u>578,173</u>
Total Assets	<u><u>202,414</u></u>	<u><u>309,867</u></u>	<u><u>160,028</u></u>	<u><u>268,306</u></u>	<u><u>362,442</u></u>	<u><u>578,173</u></u>
<b>Net Assets</b>						
Restricted for:						
Capital Projects	520	0	0	0	520	0
Other Purposes	169,342	209,151	0	0	169,342	209,151
Unrestricted	<u>32,552</u>	<u>100,716</u>	<u>160,028</u>	<u>268,306</u>	<u>192,580</u>	<u>369,022</u>
Total Net Assets	<u><u>202,414</u></u>	<u><u>309,867</u></u>	<u><u>160,028</u></u>	<u><u>268,306</u></u>	<u><u>362,442</u></u>	<u><u>578,173</u></u>

As mentioned previously, net assets of governmental activities decreased \$107,453 or 35 percent during 2007. The primary reason contributing to this decrease in cash balances was the Village's a decrease in revenues.

Charges for services decreased \$373,860 due to the Village's decision to discontinue transport services for ambulatory care, (see Note 14, reclassification).

Net assets of business-type activities decreased \$108,278 or 40 percent during 2007. The primary reason contributing to this decrease in cash balances was an increase in expenditures. The Village is starting a Sewer Rehab Project.

**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

**The Village as a Whole** (continued)

Table 2 reflects the changes in net assets in 2007 and 2006 (restated):

	Governmental Activities		Business Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$647,800	\$1,021,660	\$389,349	\$386,920	\$1,037,149	\$1,408,580
Operating Grants and Contributions	94,071	7,227	0	0	94,071	7,227
<b>Total Program Receipts</b>	<b>741,871</b>	<b>1,028,887</b>	<b>389,349</b>	<b>386,920</b>	<b>1,131,220</b>	<b>1,415,807</b>
General Receipts:						
Property and Other Local Taxes	231,464	227,178	0	0	231,464	227,178
Income Taxes	224,820	241,746	0	0	224,820	241,746
Grants and Entitlements Not Restricted to Specific Programs	49,814	120,638	0	0	49,814	120,638
Sale of Notes	137,105	165,010	0	0	137,105	165,010
Sale of Assets	3,344	2,500	2,550	0	5,894	2,500
Interest	20,073	24,118	0	114	20,073	24,232
Miscellaneous	14,705	39,611	0	0	14,705	39,611
<b>Total General Receipts</b>	<b>681,325</b>	<b>820,801</b>	<b>2,550</b>	<b>114</b>	<b>683,875</b>	<b>820,915</b>
<b>Total Receipts</b>	<b>1,423,196</b>	<b>1,849,688</b>	<b>391,899</b>	<b>387,034</b>	<b>1,815,095</b>	<b>2,236,722</b>
Disbursements:						
General Government	276,966	218,872	0	0	276,966	218,872
Security of Persons and Property:	840,015	1,077,112	0	0	840,015	1,077,112
Public Health Services	5,375	9,596	0	0	5,375	9,596
Leisure Time Activities	637	4,428	0	0	637	4,428
Economic Development	0	508	0	0	0	508
Basic Utilities	58,121	57,993	0	0	58,121	57,993
Transportation	154,648	140,315	0	0	154,648	140,315
Capital Outlay	20,000	0	0	0	20,000	0
Other Financing Uses	0	678	0	0	0	678
Principal Retirement	165,010	299,020	0	0	165,010	299,020
Interest and Fiscal Charges	9,877	12,879	0	0	9,877	12,879
Water	0	0	262,952	189,247	262,952	189,247
Sewer	0	0	237,225	165,072	237,225	165,072
<b>Total Disbursements</b>	<b>1,530,649</b>	<b>1,821,401</b>	<b>500,177</b>	<b>354,319</b>	<b>2,030,826</b>	<b>2,175,720</b>
Increase (Decrease) in Net Assets	(107,453)	28,287	(108,278)	32,715	(215,731)	61,002
Net Assets, January 1, restated	309,867	281,580	268,306	235,591	578,173	517,171
<b>Net Assets, December 31</b>	<b>\$202,414</b>	<b>\$309,867</b>	<b>\$160,028</b>	<b>\$268,306</b>	<b>\$362,442</b>	<b>\$578,173</b>

**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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**Governmental Activities Receipts**

Program receipts in the governmental activities represent 52 percent of total receipts for 2007. They are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, and permissive tax, the remaining receipts are charges for services provided by the Village.

General receipts in the governmental activities represent 48 percent of the Village's total receipts for 2007. Property and local income taxes represent 67 percent of the general receipts. Grants and entitlements and the sale of notes make up a significant balance of the general receipts, 28 percent. Other receipts are relatively insignificant and somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for the Village activities. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of police protection, and fire and rescue services; Public Health Services is the health department; Basic Utilities is waste hauling; and Transportation is the cost of maintaining the roads

**Business-Type Receipts**

In the business-type activities program receipts account for 99 percent of the total receipts. These receipts are comprised of charges for services, i.e. water and sewer charges.

**Governmental Activities**

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 18 and 55 percent, respectively, of all governmental disbursements in 2007. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

**Governmental Activities Receipts** (continued)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2007	2007	2006	2006
Security of Persons and Property	840,015	272,923	1,077,112	156,155
Public Health Services	5,375	5,375	9,596	9,369
Leisure Time Activities	637	(363)	4,428	2,928
Community Environment	0	0	508	321
Basic Utilities Services	58,121	(1,604)	57,993	(2,399)
Transportation	154,648	77,546	140,315	139,995
General Government	276,966	240,014	218,872	173,568
Capital Outlay	20,000	20,000	0	0
Other Financing Uses	0	0	678	678
Principal Retirement	165,010	165,010	299,020	299,020
Interest and Fiscal Charges	9,877	9,877	12,879	12,879
<b>Total Expenses</b>	<b>1,530,649</b>	<b>788,778</b>	<b>1,821,401</b>	<b>792,514</b>

The dependence upon property and income tax receipts is apparent as over 52 percent of governmental activities are supported through these general receipts.

**Business-Type Activities**

The water operation of the Village is relatively small and routinely reports receipts and cash disbursements which are relatively equal. The infrastructure is beginning to age and the Village has begun discussing the need for major repairs and the means by which the repairs may be funded. The sewer department is comparative to the water department and runs relatively equal. In 2007, expenditures exceed revenues due to increase in cost of repairs and operating.

**The Village's Funds**

**Governmental Funds**

Total governmental funds had receipts of \$1,423,196 and disbursements of \$1,530,649 for 2007, resulting in a total decrease in net assets of \$107,453. The greatest changes occurred within the general and fire/ rescue funds which saw a greater decrease as a result of a decrease in revenues.

**Business-Type Funds**

In 2007, business-type funds had receipts of \$389,349 and disbursements of \$500,177. Both the water and sewer funds saw similar decrease in net assets with the water operating fund experiencing a net decrease of \$57,126 and the sewer operating fund experiencing a net decrease of \$51,152 for the year.

**Village of Union City  
Darke County**

Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2007, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were greater than actual receipts by \$31,591.

In 2007, final disbursements were budgeted at \$1,018,580 while actual disbursements were \$652,177. The Village kept spending at or below budgeted amounts as demonstrated by the reported variances.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village has elected not to report its capital assets and infrastructure.

**Debt**

The Village's outstanding debt at December 31, 2007 was \$444,341. Business-type activities debt accounted for \$307,236. All governmental activities debt is renewed annually.

For further information regarding the Village's debt, refer to Note 10 to the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We have taken a conservative attitude toward spending.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Stubbs, Fiscal Officer, Village of Union City, 419 E Elm St., Union City, Ohio 45390.

**Village of Union City  
Darke County**

Statement of Net Assets - Cash Basis  
For the Year Ended December 31, 2007

	Primary Government		Component Unit Union City CIC	Total
	Governmental Activities	Business - Type Activities		
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 202,414	\$ 160,028	\$ 8,117	\$ 370,559
<i>Total Assets</i>	<u>\$ 202,414</u>	<u>\$ 160,028</u>	<u>\$ 8,117</u>	<u>\$ 370,559</u>
<b>Net Assets</b>				
Restricted for:				
Capital Projects	\$ 520	\$ 0	\$ 0	\$ 520
Other Purposes	169,342	0	0	169,342
Unrestricted	<u>32,552</u>	<u>160,028</u>	<u>8,117</u>	<u>200,697</u>
<i>Total Net Assets</i>	<u>\$ 202,414</u>	<u>\$ 160,028</u>	<u>\$ 8,117</u>	<u>\$ 370,559</u>

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Statement of Activities - Cash Basis  
For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Component	Total
						Unit Union City CIC	
<b>Governmental Activities</b>							
Security of Persons and Property	\$ 840,015	\$ 551,623	\$ 15,469	\$ (272,923)	\$ 0	\$ 0	\$ (272,923)
Public Health Services	5,375	0	0	(5,375)	0	0	(5,375)
Leisure Time Activities	637	0	1,000	363	0	0	363
Basic Utility Services	58,121	59,725	0	1,604	0	0	1,604
Transportation	154,648	0	77,102	(77,546)	0	0	(77,546)
General Government	276,966	36,452	500	(240,014)	0	0	(240,014)
Capital Outlay	20,000	0	0	(20,000)	0	0	(20,000)
Debt Service:							
Principal	165,010	0	0	(165,010)	0	0	(165,010)
Interest	9,877	0	0	(9,877)	0	0	(9,877)
<b>Total Governmental Activities</b>	<b>\$ 1,530,649</b>	<b>\$ 647,800</b>	<b>\$ 94,071</b>	<b>\$ (788,778)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (788,778)</b>
<b>Business Type Activities</b>							
Water Operating	\$ 262,952	\$ 205,826	\$ 0	\$ 0	\$ (57,126)	\$ 0	\$ (57,126)
Sewer Operating	237,225	183,523	0	0	(53,702)	0	(53,702)
<b>Total Business Type Activities</b>	<b>500,177</b>	<b>389,349</b>	<b>0</b>	<b>0</b>	<b>(110,828)</b>	<b>0</b>	<b>(110,828)</b>
<b>Component Unit</b>							
Union City CIC	\$ 91,799	\$ 0	\$ 0	\$ 0	\$ 0	\$ (91,799)	\$ (91,799)
<b>General Receipts</b>							
Property Taxes				\$ 231,464	\$ 0	\$ 0	\$ 231,464
Municipal Income Taxes				224,820	0	0	224,820
Grant and Entitlements not Restricted to Specific Programs				49,814	0	0	49,814
Sale of Notes				137,105	0	0	137,105
Sale of Fixed Assets				3,344	2,550	0	5,894
Earnings on Investments				20,073	0	0	20,073
Miscellaneous				14,705	0	47,767	62,472
<b>Total General Receipts</b>				<b>681,325</b>	<b>2,550</b>	<b>47,767</b>	<b>731,642</b>
Transfers				0	0	0	0
<b>Total General Receipts and Transfers</b>				<b>681,325</b>	<b>2,550</b>	<b>47,767</b>	<b>731,642</b>
Change in Net Assets				(107,453)	(108,278)	(44,032)	(259,763)
Net Assets Beginning of Year				309,867	268,306	52,149	630,322
<b>Net Assets End of Year</b>				<b>\$ 202,414</b>	<b>\$ 160,028</b>	<b>\$ 8,117</b>	<b>\$ 370,559</b>

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2007

	General	Fire/Rescue	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 32,552	\$ 79,494	\$ 90,368	\$ 202,414
<i>Total Assets</i>	\$ 32,552	\$ 79,494	\$ 90,368	\$ 202,414
<b>Fund Balances</b>				
Unreserved, Undesignated, Reported in:				
General Fund	32,552	0	0	32,552
Special Revenue Funds	0	79,494	89,848	169,342
Capital Projects Fund	0	0	520	520
<i>Total Fund Balances</i>	\$ 32,552	\$ 79,494	\$ 90,368	\$ 202,414

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds

For the Year Ended December 31, 2007

	General	Fire/Rescue	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 188,050	\$ 0	\$ 43,414	\$ 231,464
Municipal Income Tax	224,820	0	0	224,820
Intergovernmental	49,814	10,725	82,846	143,385
Charges for Services	60,420	551,623	431	612,474
Fines, Licenses and Permits	31,381	0	3,945	35,326
Earnings on Investments	18,168	0	1,905	20,073
Miscellaneous	8,221	5,501	1,483	15,205
<i>Total Receipts</i>	<u>\$ 580,874</u>	<u>\$ 567,849</u>	<u>\$ 134,024</u>	<u>\$ 1,282,747</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 237,870	\$ 565,171	\$ 36,974	\$ 840,015
Public Health Services	4,558	0	817	5,375
Leisure Time Activities	0	0	637	637
Basic Utility Services	58,121	0	0	58,121
Transportation	47,880	0	106,768	154,648
General Government	191,648	45,100	40,218	276,966
Capital Outlay	0	0	20,000	20,000
Debt Service:				
Principal Retirement	0	127,347	37,663	165,010
Interest and Fiscal Charges	0	6,495	3,382	9,877
<i>Total Disbursements</i>	<u>\$ 540,077</u>	<u>\$ 744,113</u>	<u>\$ 246,459</u>	<u>\$ 1,530,649</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	40,797	(176,264)	(112,435)	(247,902)
<b>Other Financing Sources (Uses)</b>				
Sale of Notes	\$ 0	\$ 137,105	\$ 0	\$ 137,105
Sale of Fixed Assets	3,139	0	205	3,344
Transfers In	0	0	112,100	112,100
Transfers Out	(112,100)	0	0	(112,100)
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (108,961)</u>	<u>\$ 137,105</u>	<u>\$ 112,305</u>	<u>\$ 140,449</u>
<i>Net Change in Fund Balances</i>	(68,164)	(39,159)	(130)	(107,453)
<i>Fund Balances Beginning of Year, restated</i>	<u>100,716</u>	<u>118,653</u>	<u>90,498</u>	<u>309,867</u>
<i>Fund Balances End of Year</i>	<u><u>\$ 32,552</u></u>	<u><u>\$ 79,494</u></u>	<u><u>\$ 90,368</u></u>	<u><u>\$ 202,414</u></u>

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund

For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 194,401	\$ 194,401	\$ 188,050	\$ (6,351)
Municipal Income Taxes	236,000	236,000	224,820	(11,180)
Intergovernmental	55,804	56,304	49,814	(6,490)
Charges and Services	62,000	62,000	60,420	(1,580)
Fines, Licenses and Permits	37,160	37,160	31,381	(5,779)
Earnings on Investment	19,000	19,000	18,168	(832)
Miscellaneous	5,200	7,600	8,221	621
<i>Total receipts</i>	<u>\$ 609,565</u>	<u>\$ 612,465</u>	<u>\$ 580,874</u>	<u>\$ (31,591)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 266,203	\$ 265,177	\$ 237,870	\$ 27,307
Public Health Services	4,960	4,558	4,558	0
Community Environment	550	0	0	0
Basic Utility Services	58,500	58,500	58,121	379
Transportation	53,470	51,533	47,880	3,653
General Government	479,597	485,812	191,648	294,164
<i>Total Disbursements</i>	<u>\$ 863,280</u>	<u>\$ 865,580</u>	<u>\$ 540,077</u>	<u>\$ 325,503</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(253,715)</u>	<u>(253,115)</u>	<u>40,797</u>	<u>293,912</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	\$ 0	\$ 0	\$ 3,139	\$ 3,139
Transfers	153,000	153,000	(112,100)	(265,100)
<i>Total Other Financing Sources (Uses)</i>	<u>153,000</u>	<u>153,000</u>	<u>(108,961)</u>	<u>(261,961)</u>
<i>Net Change in Fund Balance</i>	(100,715)	(100,115)	(68,164)	31,951
<i>Fund Balance Beginning of Year</i>	100,716	100,716	100,716	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1</u>	<u>\$ 601</u>	<u>\$ 32,552</u>	<u>\$ 31,951</u>

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Fire/Rescue Fund  
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Charges for Services	\$ 662,571	\$ 662,571	\$ 551,623	\$ (110,948)
Intergovernmental	10,000	10,000	10,725	725
Miscellaneous	5,000	5,000	5,501	501
<i>Total receipts</i>	<u>\$ 677,571</u>	<u>\$ 677,571</u>	<u>\$ 567,849</u>	<u>\$ (109,722)</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	\$ 768,643	\$ 768,643	\$ 565,171	\$ 203,472
Debt Service:				
Principal Retirement	127,347	127,347	127,347	0
Interest and Fiscal Charges	6,495	6,495	6,495	0
General Government	50,000	50,000	45,100	4,900
<i>Total Disbursements</i>	<u>\$ 952,485</u>	<u>\$ 952,485</u>	<u>\$ 744,113</u>	<u>\$ 208,372</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(274,914)	(274,914)	(176,264)	98,650
<b>Other Financing Sources (Uses)</b>				
Sale of Notes	\$ 140,000	\$ 140,000	\$ 137,105	\$ (2,895)
Transfers-In	36,262	36,262	0	(36,262)
Transfers-Out	(20,000)	(20,000)	0	20,000
<i>Total Other Financing Sources (Uses)</i>	<u>156,262</u>	<u>156,262</u>	<u>137,105</u>	<u>(19,157)</u>
<i>Net Change in Fund Balance</i>	(118,652)	(118,652)	(39,159)	79,493
<i>Fund Balance Beginning of Year</i>	118,653	118,653	118,653	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 79,494</u>	<u>\$ 79,493</u>

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Statement of Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2007

	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 15,906	\$ 144,122	\$ 160,028
<i>Total Assets</i>	<u>\$ 15,906</u>	<u>\$ 144,122</u>	<u>\$ 160,028</u>
<b>Net Assets:</b>			
Restricted for:			
Unrestricted	\$ 15,906	\$ 144,122	\$ 160,028
<i>Total Net Assets</i>	<u>\$ 15,906</u>	<u>\$ 144,122</u>	<u>\$ 160,028</u>

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2007

	Water Operating	Sewer Operating	Total Enterprise Funds
<b>Operating Receipts</b>			
Charges for Services	\$ 205,475	\$ 182,165	\$ 387,640
Other Operating Receipts	351	1,358	1,709
<i>Total Operating Receipts</i>	<u>\$ 205,826</u>	<u>\$ 183,523</u>	<u>\$ 389,349</u>
<b>Operating Disbursements</b>			
Personal Services	\$ 89,979	\$ 89,745	\$ 179,724
Contractual Services	32,062	52,582	84,644
Supplies and Materials	10,273	13,330	23,603
Other	79,344	81,568	160,912
<i>Total Operating Disbursements</i>	<u>\$ 211,658</u>	<u>\$ 237,225</u>	<u>\$ 448,883</u>
<i>Operating Income (Loss)</i>	<u>(5,832)</u>	<u>(53,702)</u>	<u>(59,534)</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Sale of Fixed Assets	0	2,550	2,550
Debt Service:			
Principal Payments	(43,320)	0	(43,320)
Interest and Fiscal Charges	(7,974)	0	(7,974)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(51,294)</u>	<u>2,550</u>	<u>(48,744)</u>
<i>Change in Net Assets</i>	(57,126)	(51,152)	(108,278)
<i>Net Assets Beginning of Year</i>	<u>73,032</u>	<u>195,274</u>	<u>268,306</u>
<i>Net Assets End of Year</i>	<u><u>\$ 15,906</u></u>	<u><u>\$ 144,122</u></u>	<u><u>\$ 160,028</u></u>

See accompanying notes to the basic financial statements

**Village of Union City**  
**Darke County**

Statement of Fund Net Assets - Cash Basis  
Fiduciary Funds  
For the Year Ended December 31, 2007

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,115</u>
<i>Total Assets</i>	\$ <u><u>3,115</u></u>
<b>Net Assets:</b>	
Unrestricted	\$ <u>3,115</u>
<i>Total Net Assets</i>	\$ <u><u>3,115</u></u>

See accompanying notes to the basic financial statements

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 1 – Reporting 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.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water, sewer, and electric utilities, maintenance of Village roads and bridges, park operations, and part-time police services. The Village appropriates general fund money to support a volunteer fire department and first responders.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village.

The component unit column in the government-wide financial statements identifies the financial data of the Village's discretely presented component unit, the Union City Community Improvement Corporation. The Union City Community Improvement Corporation is reported separately to emphasize that it is legally separate from the Village. Note 15 to the financial statements will provide additional information for this entity.

**Union City Community Improvement Corporation**

Union City Community Improvement Corporation (CIC) was created as a not for profit corporation under Sections 1724.01 et. seq., under the Ohio Rev. Code. The CIC is governed by a board of Trustees. The CIC provides services to the Village by providing opportunities for development to strengthen employment and economic development for the Village. Financial Statements for the CIC are available from Mary Ann Teeter, Treasurer, 419 Elm Street, Union City, Ohio 45390.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 1 – Reporting Entity** (continued)

**C. Jointly Governed Organizations and Public Entity Risk Pools**

The Village participates in one jointly governed organizations, public entity risk pool. Note 13 to the financial statements provide additional information for this entity.

Public Entity Risk Pools, Any Pools:  
Public Entities Pool of Ohio

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents cash and investment balances of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing or draws from the Village's general cash receipts.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village 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. The Village has no internal service funds or fiduciary funds. Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

**B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. Village funds are divided into three categories: governmental, proprietary, and fiduciary.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds for 2007 were the General and Fire/Rescue funds.

General Fund – 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire/Rescue Fund – The rescue receives fund charges fees for services provided for ambulatory services.

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

**Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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 Village's major enterprise funds for 2007 were the Water and Sewer Operating funds.

Water Operating Fund – The water operating fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Operating Fund – The sewer operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments, which are not available to support the Village's own programs. The Village only fiduciary fund was Mayors Court Fund.

Mayors Court Fund – receives money from citations issued by the Village's Police department. Money collected is distributed in accordance with the Ohio Revised Code to the Village and State of Ohio.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance; both 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 the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process** (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. 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 certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered 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 the Village Council during the year.

**E. Cash and Cash Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2007, the Village invested in nonnegotiable certificates of deposit. Investments are reported at cost.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$18,168 and \$1,905 to other funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village did not report any restricted assets at December 31, 2007.

**G. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**H. Capital Assets**

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

M. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees, are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the cash disbursement for their employer contributions to cost sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**L. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for street construction and security of persons and property.

The Village first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 2 – Summary of Significant Accounting Policies** (continued)

N. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis is presented for the general fund prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no encumbrances outstanding at December 31, 2007 (budget basis) for the general fund and fire/rescue fund.

**Note 4 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories:

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

Inactive deposits are public deposits that Council 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 no 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.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 4 – Deposits and Investments** (continued)

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**Deposits**

At year-ended December 31, 2007, the carrying amount of the Village's deposits was \$362,442, and the bank balance was \$378,997. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" \$278,997 was exposed to custodial risk as discussed below, while \$100,000 was covered by federal depository insurance corporation.

Custodial credit risk is the risk that in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in the amounts equal to at least 105% of carrying value of the deposits. Such collateral, as permitted by the Ohio revised code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name or the respective depository bank and pledged as a poll of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 4 – Deposits and Investments** (continued)

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified board member by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified board member and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

The Village's investments are required to be categorized to give an indication of the level of risk assumed by the Village at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments, which are held by the counterparty, or by its trust department or agent but not in the Village's name. The Certificates of Deposits are categorized as Category 1. The total carrying value of the Villages Certificates of Deposit as of December 31, 2007 is \$220,471, which is valued at cost and included in the carrying amounts above.

**Note 5 – Income Taxes**

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 \$224,820 for 2007.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due February 15, with the remainder payable by July 14.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 6 – Property Taxes** (continued)

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006 on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due

September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007, was \$2.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

Real Property:	2007
Agricultural/Residential	\$9,588,380
Industrial/Commercial	\$3,486,970
Tangible Personal Property:	
Public Utilities Real	\$6,880
General	\$1,203,640
Total Assessed Value	<u>\$14,285,870</u>

**Note 7 – 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 local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments 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 subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 7 – Risk Management** (continued)

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 was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment.

For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government. 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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$ 37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$ 20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2007	\$25,882
2006	\$22,864
2005	\$23,748

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 7 – Risk Management** (continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 budgetary 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 occurred or was reported prior to the withdrawal.

The Village also provides health, dental, and vision insurance coverage to full-time employees through a private insurance carrier.

**Note 8 – Defined Benefit Pension Plans**

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan, the member-directed plan is a defined contribution plan; and the Combined Plan a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan, in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. 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, and survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll. The Village's contribution rate for 2007 was 13.85 percent. For the period January 1, through June 30, 2007, a portion of the Village's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Village of 14 percent for 2007.

The Village's required contributions for pension obligations to the traditional plan for the years ended December 31, 2007, 2006 and 2005 were \$39,433, and \$45,827 and \$41,789 respectively. The full amount has been contributed for 2007, 2006 and 2005.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 8 – Defined Benefit Pension Plans** (continued)

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Village's required contributions for Ohio Police & Fire pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$27,929, and \$24,274 and \$23,104 respectively. The full amount has been contributed for 2007, 2006 and 2005.

**Note 9 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment 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 post-employment 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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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 by 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.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 9 - Postemployment Benefits** (continued)

In 2007, state and local employers contributed at a rate of 13.85 percent of covered payroll, and public safety and law enforcement employers contributed at 17.40 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 13.85 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan for January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0 percent and 6.0 percent of covered payroll, respectively.

The Village's contributions to OPERS to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$19,717, \$30,245, and \$20,059, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost sharing multiple-employer defined postemployment healthcare 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 dependents.

OP&F provides access to post-retirement healthcare 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 healthcare coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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 healthcare 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.

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 the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

**Note 9 - Postemployment Benefits** (continued)

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 Revenue 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. 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 Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contribution to the post-employment health care plan.

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.

The Village's contributions to OP&F to fund postemployment healthcare benefits for the years ended December 31, 2007 and 2006, were \$8,756 and \$8,739, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

**Note 10 – Debt**

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate %	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Principal Due Within One Year
<b><u>Governmental Activities</u></b>						
Backhoe	5.40	13,190	0	13,190	0	0
Ambulance E450	5.10	127,347	0	127,347	0	0
Land Contract	5.45	13,461	0	13,461	0	0
Ambulance E553-3	5.79	0	137,105	0	137,105	137,105
Franklin Street Note	5.26	11,012	0	11,012	0	0
Ford Crown Victoria	4.38	0				
<b>Total</b>		<u>\$165,010</u>	<u>\$137,105</u>	<u>\$165,010</u>	<u>\$137,105</u>	<u>\$137,105</u>
<b><u>Business-Type Activities</u></b>						
GMAC – Water Note	5.00	151,917	0	31,917	120,000	8,000
OPWC – Water Tower	0.00	197,639	0	10,403	187,236	10,402
<b>Total</b>		<u>\$349,556</u>	<u>\$0</u>	<u>\$43,320</u>	<u>\$307,236</u>	<u>\$18,402</u>

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 10 – Debt** (continued)

The Water System note was issued for improvements to the water system paid in semi-annual installments.

The Fire Trucks, Police Cruiser, Heart Monitors, 2004 Ford Crown Victoria, Street Truck, and the 114 Franklin Street Bldg. Notes were issued for purchases of those respective assets. The notes are renewed annually.

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, 2023.

The following is a summary of the Village’s future annual debt service requirements, including interest:

Year	GMAC Water Note	OPWC	Ambulance E553-3 Note
2008	18,000	10,402	145,175
2009	17,600	10,402	0
2010	18,200	10,402	0
2011	17,750	10,402	0
2012	17,300	10,402	0
2013 – 2017	87,650	52,010	0
2018 – 2022	89,400	52,010	0
2023 – 2027	35,400	31,206	0
Totals	\$301,300	\$187,236	\$145,175

**Note 11 – Interfund Transfers**

General fund transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and ordinances approved by council and were transferred to supplement the street fund and for repayment of debt.

During 2007, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Other Governmental Funds	\$ 112,100
Total Transfers from the General Fund	\$ 112,100

**Note 12 – Contingent Liabilities**

The Village is a defendant in a personnel litigation case, which was filed on January 22, 2009. Although management cannot presently determine the outcome of this suit, they believe the resolution of this matter will not have a material adverse affect on the Village’s financial condition.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 13 – Public Entity Risk Pool**

Public Entities Pool of Ohio

Public Entities Pool of Ohio (the “Pool”) was created in 1986 and organized under the laws of the State of Ohio as a governmental group property and casualty self-insurance pool. A total of 439 governmental entities within the state of Ohio participate in the Pool. The pool was formed for the primary purpose of managing third-party liability claims against its members. Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member’s withdrawal. Members withdrawing within the first six years of Pool membership may receive a partial refund of the capitalization contributions described below. The amounts of such refunds are defined by contract and correspond to the length of their membership.

PEP has no employees; rather it is administered through contracts with various professionals. Pursuant to a contract, the firm of Accordia of Ohio administers PEP. PEP is a separate legal entity. PEP subcontracts certain self-insurance, administrative and claims functions to a “Pool Operator,” currently Pottering Insurance. PEP has executed contracts with various professionals for actuary services, as independent auditors, as loss control representatives, as litigation management and defense law firms, as counsel to PEP and others as required.

PEP is governed by a seven member Board of Trustees elected by the members of PEP. The Village makes an annual contribution to PEP for the coverage it is provided, based on rates established by PEP. Financial information may be obtained by writing to the Public Entities Pool of Ohio, 229 Riverside Drive, Dayton, Ohio 45402.

**Note 14 – Reclassification of Fund**

The Village Council has decided to reclassify the Rescue Fund from an enterprise fund to a special revenue fund to better reflect the nature of the fund’s activity. In 2005, the Fire/ Rescue Fund was previously classified as an enterprise fund because, in addition to ambulatory services, the Village also provided ambulance transports, with the intent of making a profit. However, the Village changed its decision and is currently providing ambulatory services only; ambulance transport services are no longer offered. Since the Village is no longer providing a profit motivated service, the decision was made to reclassify the Fire/Rescue Fund back as a special revenue fund.

	Special Revenue Fund	Enterprise Fund
Fund cash balance, December 31, 2006	90,498	386,959
Reclassification of fund balance	118,653	(118,653)
Fund cash balance, January 1, 2007	209,151	268,306

**Village of Union City  
Darke County**

Notes to the Financial Statements  
For the Year Ended December 31, 2007

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**Note 15 – Union City Community Improvement Corporation**

As indicated in Note 1 to the Basic Financial Statements, the following disclosures are made on behalf of the Union City Community Improvement Corporation.

**Basis of Accounting**

The Union City Community Improvement Corporation prepares financial statements on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Budgetary Basis of Accounting**

Budgetary information for the CIC is not presented because it is not included in the entity for which the “appropriated budget” is adopted and does not maintain separate budgetary financial records.

**Long-Term Obligations**

The change in the CIC’s long-term obligations during the year consisted of the following:

	Balance at December 31, 2006	Issued	Retired	Balance at December 31, 2007	Due Within One Year
Mortgage Note	<u>\$344,401</u>	<u>0</u>	<u>26,161</u>	<u>\$318,240</u>	<u>\$42,605</u>

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. Payments on the above debt commenced February 1, 2007 and are paid monthly.

**Note 16 – Compliance**

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. Contrary to this law, estimated resources were greater than actual receipts in the general, computerization, law enforcement, haz-mat, debt service, capital improvement, rescue/fire, and water operating funds by \$181,452, \$206, \$1,316, \$3,053, \$207, \$142,783, \$148,879, and \$10,491, respectively.

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

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

Village of Union City  
Darke County  
419 Elm Street  
P.O. Box 10  
Union City, Ohio 45390

To the Village Mayor and Council:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Union City, Darke County, Ohio (the Village), as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 14, 2009, wherein, we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. 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 expressing our opinion on the financial statements, but not to opine 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting: 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

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

July 14, 2009

**VILLAGE OF UNION CITY  
DARKE COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Ohio Rev. Code, Section 5705.41(D)(1)**, prohibits a subdivision or taxing unit from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Village.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

**VILLAGE OF UNION CITY  
DARKE COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2007

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**, continued

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Expenditures were not always properly certified. In 2007, 22 percent of the expenditures tested were linked to purchase orders which were issued after the incurrence of the expense.

Response: The Fiscal Officer will review the proper use of purchase orders.

**FINDING NUMBER 2007-002**

**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:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$765,465	\$584,013	(\$181,452)
Computerization	4,151	3,045	(206)
Law Enforcement	1,406	90	(1,316)
Haz-Mat	3,484	431	(3,053)
Debt Service	76,045	75,838	(207)
Capital Improvement	174,120	31,337	(142,783)
Rescue/Fire	853,833	704,954	(148,879)
Water Operating	216,317	205,826	(10,491)

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 FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2007

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-003**

**Ohio Rev. Code, Section 733.28**, requires the Fiscal Officer to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village did not properly classify receipt and disbursement transactions. An accurate record was not maintained for all monies received by the Village. The following were noted:

- Sale of fixed assets were posted as miscellaneous receipts
- Debt Activity was incorrectly posted ie posting of interest and principal and sale of notes.
- Transfers were incorrectly recorded on the annual report
- Budgetary information provided on the annual report did not agree with amounts filed with County Auditor.

Sound financial reporting is the responsibility of the Fiscal Officer and Council and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. All of these conditions reveal a lack of control over and monitoring of the recording and reporting of the Village's financial activity and resulted in inaccurate accounting records. The financial statements and Village's records have been adjusted to reflect the above adjustments.

Response: Changes have been implemented with the term of new Fiscal Officer.



**Mary Taylor, CPA**  
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  
OCTOBER 13, 2009**