

VILLAGE OF UNION CITY

DAYTON REGION, DARKE COUNTY, OHIO

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 – 2005



Mary Taylor, CPA
Auditor of State

Village Council
Village of Union City
419 Elm Street
Union City, Ohio 45390

We have reviewed the *Report of Independent Auditors* of the Village of Union City, Darke County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. 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

July 30, 2007

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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**

REPORT OF INDEPENDENT AUDITORS'

Members of Council
Village of Union City
Darke County
419 Elm Street
Union City, Ohio 45390

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 years ended December 31, 2006 and 2005, which collectively comprised 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 audits.

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

As described in Note 2, the Village has prepared these financial statements and notes using the modified cash basis of accounting. 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 financial position-modified cash basis of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Village of Union City, Darke County, Ohio, as of December 31, 2006 and 2005, and the respective changes in financial position-modified cash basis and the respective budgetary comparison for the General Fund for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. See Note 3 Change in basis of accounting and restatement of fund equity.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 4, 2007, on our consideration of the Village's internal control structure 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

May 4, 2007

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Village of Union City, Darke County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

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, 2006 and 2005, within the limitations of the Village's modified 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 2006 are as follows:

Net assets of governmental activities increased \$34,454, or 22 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund however, increases affected most funds.

The Government's general receipts are primarily property and income taxes. These receipts represent \$468,924 or 57% percent of the total cash received for governmental activities during the year.

The Government's has three business-type activities. The Water and Rescue fund's disbursements were higher than revenue due to payment on debt. The Sewer fund disbursements were higher than revenue due to a Sewer Rehabilitation Project.

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$61,114, or 61 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund however, increases affected most funds.

The Government's general receipts are primarily property and income taxes. These receipts represent \$452,298 or 47.9% percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 have increased compared to 2004 as a result of an Amnesty Program.

The Government's has three business-type activities. The Water and Rescue fund's disbursements were higher than revenue due to payment on debt. The Sewer fund disbursements were higher than revenue due to a Sewer Rehabilitation Project.

Using the Basic Financial Statements

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

Village of Union City, Darke County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Report Components

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

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government 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 government-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 Government has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Government's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified 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 modified cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Government did financially during 2006 and 2005, within the limitations of modified 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 Government 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 Government's general receipts.

These statements report the Government's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Government's financial health. Over time, increases or decreases in the Government's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Government's financial condition, you should also consider other nonfinancial factors as well such as the Government's property tax base, the condition of the Government's capital assets and infrastructure, the extent of the Government'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.

Village of Union City, Darke County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Reporting the Government as a Whole (continued)

The Village also has a CPU fund which is the Union City Community Improvement Corporation (CPU). 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 Government into two types of activities:

Governmental activities. Most of the Government'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 Government has three business-type activities water, sewer, and rescue. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Government's major funds – not the Government as a whole. The Government 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 Government are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Government's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Government'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 Government's programs. The Government'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. The Government's only major governmental fund is the General Fund. 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 Government 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 Government has three enterprise funds, the water fund, sewer fund, and rescue fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government'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, 2006 and 2005
Unaudited

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2006 compared to 2005 on a modified cash basis:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Assets						
Cash and Cash Equivalents	<u>191,214</u>	<u>156,760</u>	<u>386,959</u>	<u>360,411</u>	<u>578,173</u>	<u>517,171</u>
Total Assets	<u>191,214</u>	<u>156,760</u>	<u>386,959</u>	<u>360,411</u>	<u>578,173</u>	<u>517,171</u>
Net Assets						
Restricted for:						
Capital Outlay		93			0	93
Other Purposes	90,498	65,019			90,498	65,019
Unrestricted	<u>100,716</u>	<u>91,648</u>	<u>386,959</u>	<u>360,411</u>	<u>487,675</u>	<u>452,059</u>
Total Net Assets	<u>191,214</u>	<u>156,760</u>	<u>386,959</u>	<u>360,411</u>	<u>578,173</u>	<u>517,171</u>

As mentioned previously, net assets of governmental activities increased \$ 34,454 or 22 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- The Municipal Income Tax increased by approximately 21%.
- The charges for services also increased the revenue in 2006.

Net assets of governmental activities increased \$ 61,114 or 61 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- The intergovernmental receipts were increased by approximately 21% due to the FEMA grant.
- The sale of 400 E Elm increased revenue in 2005.

Village of Union City, Darke County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

The Government as a Whole (continued)

Table 2 reflects the changes in net assets in 2006 and 2005:

(Table 2)
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$130,955	\$115,121	\$1,277,625	\$1,381,474	\$1,408,580	\$1,496,595
Operating Grants and Contributions	1,727	51,225	5,500	11,493	7,227	62,718
Capital Grants and Contributions	0	39,814	0	0	0	39,814
Total Program Receipts	132,682	206,160	1,283,125	1,392,967	1,415,807	1,599,127
General Receipts:						
Property and Other Local Taxes	227,178	221,157	0	0	227,178	221,157
Income Taxes	241,746	231,141	0	0	241,746	231,141
Grants and Entitlements Not						
Restricted to Specific Programs	120,638	134,289	0	0	120,638	134,289
Sale of Notes	37,663	89,776	127,347	0	165,010	89,776
Sale of Assets	2,500	46,000	0	100	2,500	46,100
Interest	24,118	20,176	114	320	24,232	20,496
Miscellaneous	39,611	5,581	0	1,549	39,611	7,130
Total General Receipts	693,454	748,120	127,461	1,969	820,915	750,089
Total Receipts	826,136	954,280	1,410,586	1,394,936	2,236,722	2,349,216
Disbursements:						
General Government	218,872	277,472	0	0	218,872	277,472
Security of Persons and Property:	262,580	250,838	0	0	262,580	250,838
Public Health Services	9,596	10,722	0	0	9,596	10,722
Leisure Time Activities	4,428	2,749	0	0	4,428	2,749
Economic Development	508	375	0	0	508	375
Basic Utilities	57,993	55,679	0	0	57,993	55,679
Transportation	140,315	121,871	0	0	140,315	121,871
Capital Outlay	0	56,318	0	0	0	56,318
Principal Retirement	89,776	111,022	0	0	89,776	111,022
Interest and Fiscal Charges	7,614	6,120	0	0	7,614	6,120
Water	0	0	189,247	242,970	189,247	242,970
Rescue	0	0	1,029,719	1,118,829		
Sewer	0	0	165,072	281,928	165,072	281,928
Total Disbursements	791,682	893,166	1,384,038	1,643,727	2,175,720	2,536,893
Excess (Deficiency) Before Transfers	34,454	61,114	26,548	(248,791)	61,002	(187,677)
Transfers	0	0	0	0	0	0
Increase (Decrease) in Net Assets	34,454	61,114	26,548	(248,791)	61,002	(187,677)
Net Assets, January 1	156,760	95,646	360,411	609,202	517,171	704,848
Net Assets, December 31	\$191,214	\$156,760	\$386,959	\$360,411	\$578,173	\$517,171

Village of Union City, Darke County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

Governmental Activities Receipts

Program receipts in the governmental activities represent 16% and 22% of total receipts for 2006 and 2005, respectively. They are primarily comprised of intergovernmental receipts such as motor vehicle license, gas tax money, and permissive tax.

General receipts in the governmental activities represent 84% and 78 % of the Village's total receipts for 2006 and 2005, respectively. Local taxes represent 55% and 39% of the general receipts. Grants and entitlements make up the significant balance of the general receipts. Other receipts are very 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; 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 91% and 99% of the total receipts. These receipts are comprised of charges for services, i.e. water and sewer charges, ambulatory billings, and capital grant contributions.

General receipts in the business type activities represent 9% and 1% of the Village's total business type receipts for 2006 and 2005, respectively. Loan proceeds in 2006 make up the majority of general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Governmental Activities

If you look at the Statement of Activities on pages 16 and 23, 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 61% and 59% of all governmental disbursements, in 2006 and 2005, respectively. 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, 2006 and 2005
Unaudited

Governmental Activities Receipts (continued)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2006	2006	2005	2005
Security of Persons and Property	262,580	237,828	250,838	201,940
Public Health Services	9,596	9,369	10,722	10,722
Leisure Time Activities	4,428	2,928	2,749	1,275
Community Environment	508	321	375	375
Basic Utilities Services	57,993	-2,399	55,679	4,042
Transportation	140,315	139,995	121,871	117,641
General Government	218,872	173,568	277,472	217,365
Capital Outlay	0	0	56,318	16,504
Principal Retirement	89,776	89,776	111,022	111,022
Interest and Fiscal Charges	7,614	7,614	6,120	6,120
Total Expenses	791,682	659,000	893,166	687,006

The dependence upon income tax receipts is apparent as over 83% for 2006 and 77% for 2005, of governmental activities are supported through these general receipts.

The Village's Funds

Governmental Funds

Total governmental funds had receipts of \$826,136 and \$954,280 for 2006 and 2005, and disbursements of \$791,682 and \$893,166 for 2006 and 2005, respectively. The greatest changes occurred in the General Fund

Business Type Funds

In 2006, business type funds had receipts of \$1,410,586 and disbursements of \$1,384,038. The greatest change within the business type funds occurred within the Rescue Fund.

In 2005, business type funds had receipts of \$1,394,936 and disbursements of \$1,643,727. The greatest change within the business type funds occurred within the Rescue Fund. The change can be attributed to rate increases.

General Fund Budgeting Highlights

The Government'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 2006, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unanticipated tax receipts. The difference between final budgeted receipts and actual receipts was a significant increase.

Village of Union City, Darke County
Management's Discussion and Analysis
For the Year Ended December 31, 2006 and 2005
Unaudited

General Fund Budgeting Highlights (continued)

In 2006, final disbursements were budgeted at \$641,085 while actual disbursements were \$615,228. The Government kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$9,068 for 2006.

During 2005, the Government amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unanticipated tax receipts. The difference between final budgeted receipts and actual receipts was a significant increase.

In 2005, final disbursements were budgeted at \$666,650 while actual disbursements were \$645,800. The Government kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$44,379.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Village's outstanding debt was \$514,566 and \$691,858 for 2006 and 2005, respectively. Business type activities debt accounted for \$476,903 and \$602,082 for 2006 and 2005, respectively. All governmental activities debt is renewed annually. For further information regarding the Government's debt, refer to Note 11 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 Government'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 Kim Arndt, Fiscal Officer, Village of Union City, 419 E Elm St., Union City, Ohio 45390.

Village of Union City, Darke County
Statement of Net Assets - Modified Cash Basis
 December 31, 2006

	<u>Primary Government</u>		Component Unit <u>Union City CIC</u>	Total Reporting Entity
	<u>Governmental Activities</u>	<u>Business Activities</u>		
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$191,214</u>	<u>\$386,959</u>	<u>\$52,149</u>	<u>\$630,322</u>
<i>Total Assets</i>	<u><u>\$191,214</u></u>	<u><u>\$386,959</u></u>	<u><u>\$52,149</u></u>	<u><u>\$630,322</u></u>
Net Assets				
Restricted for:				
Other Purposes	\$90,498	\$0	\$0	\$90,498
Unrestricted	<u>\$100,716</u>	<u>\$386,959</u>	<u>\$52,149</u>	<u>\$539,824</u>
<i>Total Net Assets</i>	<u><u>\$191,214</u></u>	<u><u>\$386,959</u></u>	<u><u>\$52,149</u></u>	<u><u>\$630,322</u></u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets			Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Component Unit Union City CIC	
Governmental Activities								
General Government	\$218,872	\$45,304	\$0	\$0	(\$173,568)	\$0	\$0	(\$173,568)
Security of Persons and Property	262,580	24,752	0	0	(237,828)	0	0	(237,828)
Public Health Services	9,596	0	227	0	(9,369)	0	0	(9,369)
Leisure Time Activities	4,428	0	1,500	0	(2,928)	0	0	(2,928)
Community Environment	508	187	0	0	(321)	0	0	(321)
Basic Utility Services	57,993	60,392	0	0	2,399	0	0	2,399
Transportation	140,315	320	0	0	(139,995)	0	0	(139,995)
Debt Service: Reduction of Principal	89,776	0	0	0	(89,776)	0	0	(89,776)
Interest and Fiscal Charges	7,614	0	0	0	(7,614)	0	0	(7,614)
<i>Total Governmental Activities</i>	791,682	130,955	1,727	0	(659,000)	0	0	(659,000)
Business Type Activity								
Water Operating	189,247	207,916	0	0	0	18,669	0	18,669
Sewer Operating	165,072	179,004	0	0	0	13,932	0	13,932
Rescue Operating	1,029,719	890,705	5,500	0	0	(133,514)	0	(133,514)
Total	\$1,384,038	\$1,277,625	\$5,500	\$0	0	(100,913)	0	(759,913)
Component Unit								
Union City CIC	72,366	0	0	0	0	0	(72,366)	(72,366)
General Receipts								
Property Taxes Levied for:								
General Purposes					227,178	0	0	227,178
Municipal Income Taxes					241,746	0	0	241,746
Grants and Entitlements not Restricted to Specific Programs					120,638	0	0	120,638
Notes Issued					37,663	127,347	0	165,010
Sale of Capital Assets					2,500	0	0	2,500
Interest					24,118	114	0	24,232
Miscellaneous					39,611	0	12,327	51,938
<i>Total General Receipts</i>					693,454	127,461	12,327	833,242
Total General Receipts, Special Item, Transfers and Advances					693,454	127,461	12,327	833,242
Change in Net Assets					34,454	26,548	(60,039)	963
<i>Net Assets Beginning of Year</i>					156,760	360,411	112,188	629,359
<i>Net Assets End of Year</i>					\$191,214	\$386,959	\$52,149	\$630,322

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$100,716	\$90,498	\$191,214
<i>Total Assets</i>	<u>\$100,716</u>	<u>\$90,498</u>	<u>\$191,214</u>
Fund Balances			
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	100,716	0	100,716
Special Revenue Funds	<u>0</u>	<u>90,498</u>	<u>90,498</u>
<i>Total Fund Balances</i>	<u>\$100,716</u>	<u>\$90,498</u>	<u>\$191,214</u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Municipal Income Taxes	\$241,746	\$0	\$241,746
Property and Other Local Taxes	185,303	41,875	227,178
Charges for Services	83,951	2,481	86,432
Fines, Licenses and Permits	39,223	5,300	44,523
Intergovernmental	37,127	85,238	122,365
Interest	21,816	2,302	24,118
Miscellaneous	15,130	24,481	39,611
<i>Total Receipts</i>	<u>624,296</u>	<u>161,677</u>	<u>785,973</u>
Disbursements			
Current:			
General Government	201,324	17,548	218,872
Security of Persons and Property	215,851	46,729	262,580
Public Health Services	4,507	5,089	9,596
Leisure Time Activities	0	4,428	4,428
Community Environment	508	0	508
Basic Utility Services	57,993	0	57,993
Transportation	31,330	108,985	140,315
Debt Service:			
Principal Retirement	0	89,776	89,776
Interest and Fiscal Charges	0	7,614	7,614
<i>Total Disbursements</i>	<u>511,513</u>	<u>280,169</u>	<u>791,682</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>112,783</u>	<u>(118,492)</u>	<u>(5,709)</u>
Other Financing Sources (Uses)			
Notes Issued	0	37,663	37,663
Sale of Capital Assets	0	2,500	2,500
Transfers In	0	103,715	103,715
Transfers Out	(103,715)	0	(103,715)
<i>Total Other Financing Sources (Uses)</i>	<u>(103,715)</u>	<u>143,878</u>	<u>40,163</u>
<i>Net Change in Fund Balances</i>	9,068	25,386	34,454
<i>Fund Balances Beginning of Year</i>	<u>91,648</u>	<u>65,112</u>	<u>156,760</u>
<i>Fund Balances End of Year</i>	<u>\$100,716</u>	<u>\$90,498</u>	<u>\$191,214</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Municipal Income Taxes	\$179,155	\$196,079	\$241,746	\$45,667
Property and Other Local Taxes	165,633	165,633	185,303	19,670
Charges for Services	91,660	92,160	83,951	(8,209)
Fines, Licenses and Permits	27,980	28,056	39,223	11,167
Intergovernmental	42,843	42,843	37,127	(5,716)
Interest	16,000	16,000	21,816	5,816
Miscellaneous	3,684	11,470	15,130	3,660
<i>Total receipts</i>	<u>526,955</u>	<u>552,241</u>	<u>624,296</u>	<u>72,055</u>
Disbursements				
Current:				
General Government	299,123	216,733	201,324	15,409
Security of Persons and Property	213,115	216,861	215,851	1,010
Public Health Services	5,500	5,706	4,507	1,199
Community Environment	500	508	508	0
Basic Utility Services	59,202	59,202	57,993	1,209
Transportation	38,360	38,360	31,330	7,030
<i>Total Disbursements</i>	<u>615,800</u>	<u>537,370</u>	<u>511,513</u>	<u>25,857</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(88,845)</u>	<u>14,871</u>	<u>112,783</u>	<u>97,912</u>
Other Financing Sources (Uses)				
Transfers Out	0	(103,715)	(103,715)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(103,715)</u>	<u>(103,715)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(88,845)	(88,844)	9,068	97,912
<i>Fund Balance Beginning of Year</i>	88,845	88,845	88,845	0
Prior Year Encumbrances Appropriated	2,803	2,803	2,803	0
<i>Fund Balance End of Year</i>	<u>\$2,803</u>	<u>\$2,804</u>	<u>\$100,716</u>	<u>\$97,912</u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2006

	<u>Business-Type Activities</u>			
	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Rescue Operating</u>	<u>Total Enterprise</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 73,032	\$ 195,274	\$ 118,653	\$ 386,959
Total Assets	<u>\$ 73,032</u>	<u>\$ 195,274</u>	<u>\$ 118,653</u>	<u>\$ 386,959</u>
Net Assets				
Unrestricted	<u>\$ 73,032</u>	<u>\$ 195,274</u>	<u>\$ 118,653</u>	<u>\$ 386,959</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 - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006*

	Business-Type Activities			
	Water Operating	Sewer Operating	Rescue Operating	Total Enterprise Funds
Operating Receipts				
Charges for Services	163,487	179,004	849,856	1,192,347
Other Operating Receipts	44,429	0	40,849	85,278
<i>Total Operating Receipts</i>	<u>207,916</u>	<u>179,004</u>	<u>890,705</u>	<u>1,277,625</u>
Operating Disbursements				
Personal Services	88,390	88,390	458,221	635,001
Travel Transportation	21	21	726	768
Contractual Services	29,296	39,097	133,883	202,276
Materials and Supplies	8,005	12,890	85,530	106,425
Other	11,446	23,083	136,172	170,701
<i>Total Operating Disbursements</i>	<u>137,158</u>	<u>163,481</u>	<u>814,532</u>	<u>1,115,171</u>
<i>Operating Income (Loss)</i>	70,758	15,523	76,173	162,454
Non-Operating Receipts/Disbursements				
Intergovernmental Receipts			5,500	5,500
Sale of Notes			127,347	127,347
Other Financing Uses			(678)	(678)
Interest Earned	57	57		114
Debt Service:				
Redemption of Principal	(41,842)	(1,440)	(209,244)	(252,526)
Interest and Fiscal Charges	(10,247)	(151)	(5,265)	(15,663)
<i>Income (Loss) before Transfers and Advances</i>	<u>18,726</u>	<u>13,989</u>	<u>(6,167)</u>	<u>26,548</u>
<i>Change in Net Assets</i>	18,726	13,989	(6,167)	26,548
<i>Net Assets Beginning of Year</i>	<u>54,306</u>	<u>181,285</u>	<u>124,820</u>	<u>360,411</u>
<i>Net Assets End of Year</i>	<u><u>73,032</u></u>	<u><u>195,274</u></u>	<u><u>118,653</u></u>	<u><u>386,959</u></u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,433</u>
<i>Total Assets</i>	<u><u>\$3,433</u></u>
Net Assets	
Unrestricted	<u><u>\$3,433</u></u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Primary Government		Component Unit Union City CIC	Total Reporting Entity
	Governmental Activities	Business Activities		
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 156,760	\$ 360,411	\$ 112,188	\$ 629,359
<i>Total Assets</i>	<u>\$ 156,760</u>	<u>\$ 360,411</u>	<u>\$ 112,188</u>	<u>\$ 629,359</u>
Net Assets				
Restricted for:				
Capital Projects	\$ 93	\$ 0	\$ 0	\$ 93
Other Purposes	65,019	0	0	65,019
Unrestricted	<u>91,648</u>	<u>360,411</u>	<u>112,188</u>	<u>564,247</u>
<i>Total Net Assets</i>	<u>\$ 156,760</u>	<u>\$ 360,411</u>	<u>\$ 112,188</u>	<u>\$ 629,359</u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Component Unit Union City CIC	Total
Governmental Activities								
General Government	\$277,472	\$13,962	\$46,145	\$0	(\$217,365)	\$0	\$0	(\$217,365)
Security of Persons and Property	250,838	48,898	0	0	(201,940)	0	0	(201,940)
Public Health Services	10,722	0	0	0	(10,722)	0	0	(10,722)
Leisure Time Activities	2,749	0	1,474	0	(1,275)	0	0	(1,275)
Community Environment	375	0	0	0	(375)	0	0	(375)
Basic Utility Services	55,679	51,637	0	0	(4,042)	0	0	(4,042)
Transportation	121,871	624	3,606	0	(117,641)	0	0	(117,641)
Capital Outlay	56,318	0	0	39,814	(16,504)	0	0	(16,504)
Debt Service: Principal Retirement	111,022	0	0	0	(111,022)	0	0	(111,022)
Interest and Fiscal Charges	6,120	0	0	0	(6,120)	0	0	(6,120)
<i>Total Governmental Activities</i>	893,166	115,121	51,225	39,814	(687,006)	0	0	(687,006)
Business Type Activity								
Water Operating	242,970	202,744	1,254	0	0	(38,972)	0	(38,972)
Sewer Operating	281,928	177,518	2,912	0	0	(101,498)	0	(101,498)
Rescue Operating	1,118,829	1,001,212	7,327	0	0	(110,290)	0	(110,290)
<i>Total Business Type Activities</i>	<u>\$1,643,727</u>	<u>\$1,381,474</u>	<u>\$11,493</u>	<u>\$0</u>	<u>0</u>	<u>(250,760)</u>	<u>0</u>	<u>(250,760)</u>
Component Unit								
Union City CIC	<u>59,611</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(59,611)</u>	<u>(59,611)</u>
General Receipts								
Property Taxes Levied for:								
General Purposes					221,157	0	0	221,157
Municipal Income Taxes					231,141	0	0	231,141
Grants and Entitlements not Restricted to Specific Programs					134,289	0	0	134,289
Notes Issued					89,776	0	0	89,776
Sale of Capital Assets					46,000	100	121,430	167,530
Interest					20,176	320	0	20,496
Miscellaneous					5,581	1,549	12,995	20,125
<i>Total General Receipts</i>					748,120	1,969	134,425	884,514
Change in Net Assets					61,114	(248,791)	74,814	(112,863)
<i>Net Assets Beginning of Year</i>					<u>95,646</u>	<u>609,202</u>	<u>37,374</u>	<u>742,222</u>
<i>Net Assets End of Year</i>					<u>\$156,760</u>	<u>\$360,411</u>	<u>\$112,188</u>	<u>\$629,359</u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$91,648	\$65,112	\$156,760
<i>Total Assets</i>	<u>\$91,648</u>	<u>\$65,112</u>	<u>\$156,760</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$2,803	\$72	\$2,875
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	88,845		88,845
Special Revenue Funds		64,947	64,947
Capital Projects Funds		93	93
<i>Total Fund Balances</i>	<u>\$91,648</u>	<u>\$65,112</u>	<u>\$156,760</u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Municipal Income Taxes	\$231,141	\$0	\$231,141
Property and Other Local Taxes	180,715	40,442	221,157
Charges for Services	71,885	4,363	76,248
Fines, Licenses and Permits	35,151	3,723	38,874
Intergovernmental	70,403	154,924	225,327
Interest	18,960	1,216	20,176
Miscellaneous	5,531	50	5,581
<i>Total Receipts</i>	<u>613,786</u>	<u>204,718</u>	<u>818,504</u>
Disbursements			
Current:			
General Government	215,732	61,740	277,472
Security of Persons and Property	204,083	46,755	250,838
Public Health Services	4,394	6,328	10,722
Leisure Time Activities	0	2,749	2,749
Community Environment	375	0	375
Basic Utility Services	55,679	0	55,679
Transportation	48,797	73,074	121,871
Capital Outlay	0	56,318	56,318
Debt Service:			0
Principal Retirement	0	111,022	111,022
Interest and Fiscal Charges	0	6,120	6,120
<i>Total Disbursements</i>	<u>529,060</u>	<u>364,106</u>	<u>893,166</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>84,726</u>	<u>(159,388)</u>	<u>(74,662)</u>
Other Financing Sources (Uses)			
Notes Issued	27,590	62,186	89,776
Sale of Capital Assets	46,000		46,000
Transfers In	0	113,937	113,937
Transfers Out	(113,937)	0	(113,937)
<i>Total Other Financing Sources (Uses)</i>	<u>(40,347)</u>	<u>176,123</u>	<u>135,776</u>
<i>Net Change in Fund Balances</i>	44,379	16,735	61,114
<i>Fund Balances Beginning of Year</i>	<u>47,269</u>	<u>48,377</u>	<u>95,646</u>
<i>Fund Balances End of Year</i>	<u>\$91,648</u>	<u>\$65,112</u>	<u>\$156,760</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, 2005

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Municipal Income Taxes	\$215,000	\$215,000	\$231,141	\$16,141
Property and Other Local Taxes	187,000	187,000	180,715	(6,285)
Special Assessments				0
Charges for Services	87,584	87,584	71,885	(15,699)
Fines, Licenses and Permits	26,510	26,510	35,151	8,641
Intergovernmental	39,971	67,653	70,403	2,750
Interest	10,000	10,000	18,960	8,960
Miscellaneous	432	432	5,531	5,099
<i>Total receipts</i>	<u>566,497</u>	<u>594,179</u>	<u>613,786</u>	<u>19,607</u>
Disbursements				
Current:				
General Government	282,475	223,587	218,535	5,052
Security of Persons and Property	215,546	215,546	204,083	11,463
Public Health Services	5,540	5,540	4,394	1,146
Community Environment	450	450	375	75
Basic Utility Services	58,000	58,000	55,679	2,321
Transportation	49,605	49,605	48,797	808
<i>Total Disbursements</i>	<u>611,616</u>	<u>552,728</u>	<u>531,863</u>	<u>20,865</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,119)</u>	<u>41,451</u>	<u>81,923</u>	<u>(1,258)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	0	46,000	46,000	0
Notes Issued	27,590	27,590	27,590	0
Transfers Out	0	(113,937)	(113,937)	0
<i>Total Other Financing Sources (Uses)</i>	<u>27,590</u>	<u>(40,347)</u>	<u>(40,347)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(17,529)	1,104	41,576	(1,258)
<i>Fund Balance Beginning of Year</i>	45,157	45,157	45,157	0
Prior Year Encumbrances Appropriated	2,112	2,112	2,112	0
<i>Fund Balance End of Year</i>	<u>\$29,740</u>	<u>\$48,373</u>	<u>\$88,845</u>	<u>(\$1,258)</u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2005

	Business-Type Activities			
	<u>Water Operating</u>	<u>Sewer Operating</u>	<u>Rescue Operating</u>	<u>Total Enterprise</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 54,306	\$ 181,285	\$ 124,820	\$ 360,411
Total Assets	<u>\$ 54,306</u>	<u>\$ 181,285</u>	<u>\$ 124,820</u>	<u>\$ 360,411</u>
Net Assets				
Unrestricted	<u>\$ 54,306</u>	<u>\$ 181,285</u>	<u>\$ 124,820</u>	<u>\$ 360,411</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 - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2005*

	Business-Type Activities			
	Water Operating	Sewer Operating	Rescue Operating	Total Enterprise Funds
Operating Receipts				
Charges for Services	162,997	177,518	841,409	1,181,924
Other Operating Receipts	41,001	2,912	8,825	52,738
<i>Total Operating Receipts</i>	<u>203,998</u>	<u>180,430</u>	<u>850,234</u>	<u>1,234,662</u>
Operating Disbursements				
Personal Services	92,063	92,057	461,451	645,571
Travel Transportation	0	0	205	205
Contractual Services	31,967	54,206	136,913	223,086
Materials and Supplies	12,039	13,800	79,272	105,111
<i>Total Operating Disbursements</i>	<u>136,069</u>	<u>160,063</u>	<u>677,841</u>	<u>973,973</u>
<i>Operating Income (Loss)</i>	67,929	20,367	172,393	260,689
Non-Operating Receipts/Disbursements				
Sale of Fixed Assets	100	0	0	100
Sale of Notes	0	0	159,854	159,854
Other Financing		0	(26,685)	(26,685)
Capital Outlay	(59,688)	(121,865)	(168,836)	(350,389)
Interest received	320	0	0	320
Debt Service				
Redemption of Principal	(36,645)	0	(236,174)	(272,819)
Interest and Fiscal Charges	(10,568)	0	(9,293)	(19,861)
<i>Income (Loss) before Transfers and Advances</i>	<u>(38,552)</u>	<u>(101,498)</u>	<u>(108,741)</u>	<u>(248,791)</u>
<i>Change in Net Assets</i>	(38,552)	(101,498)	(108,741)	(248,791)
<i>Net Assets Beginning of Year</i>	<u>92,858</u>	<u>282,783</u>	<u>233,561</u>	<u>609,202</u>
<i>Net Assets End of Year</i>	<u>54,306</u>	<u>181,285</u>	<u>124,820</u>	<u>360,411</u>

See accompanying notes to the basic financial statements

Village of Union City, Darke County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,433</u>
<i>Total Assets</i>	<u><u>\$3,433</u></u>
Net Assets	
Unrestricted	<u><u>\$3,433</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, 2006 and 2005

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 16 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 Jim Arndt, Village Administrator, 419 Elm Street, Union City, Ohio 45390.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

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 14 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 modified cash basis of accounting. This modified 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 modified 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 modified 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 the 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 each of 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 a particular 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 on a modified cash basis 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, 2006 and 2005

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 two categories: governmental and proprietary.

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 only major governmental fund for 2006 and 2005 was the general fund.

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.

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.

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 2006 and 2005 are the water, sewer, and rescue funds.

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

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

Rescue Fund – The rescue fund charges fees for services provided for ambulatory and transport services.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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's 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 modified 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. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified 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.

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.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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 2006 and 2005, 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 2006 were \$21,816 and \$18,960 for 2005.

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, 2006 or 2005.

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.

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.

I. 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 modified cash basis of accounting.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's modified 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. Fund balance reserves have been established for encumbrances.

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 – Change in Basis of Accounting and Restatement of Fund Equity

Last audit period the Village reported fund financial statements by fund type using the regulatory basis of accounting prescribed by the State Auditor's Office. This period the Village has implemented the modified cash basis of accounting. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There was no restatement of equity due to this change.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 4 – 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 modified cash basis are that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified 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 (modified cash basis)). There were no encumbrances outstanding at December 31, 2006 (budget basis) for the general fund; encumbrances outstanding at December 31, 2005 (budget basis) amounted to \$2,803 for the general fund.

Note 5 – 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.

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;

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 5 – Deposits and Investments (continued)

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.

At year-end, the Village had \$200 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

Deposits

At year-ended December 31, 2006, the carrying amount of the Village’s deposits was \$578,173, and the bank balance was \$602,346. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures” \$502,346 was exposed to custodial risk as discussed below, while \$100,000 was covered by federal depository insurance corporation. At year-ended December 31, 2005, the carrying amount of the Village’s deposits was \$517,171, and the bank balance was \$548,238. Of the bank balance \$448,238 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.

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 trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee 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.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 5 – Deposits and Investments (continued)

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 carrying values as of December 31, 2006 and 2005 are \$120,471 and \$120,471, respectively, which are valued at cost and included in the carrying amounts above.

Note 6 – 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 \$241,746 and 231,141 for 2006 and 2005, respectively.

Note 7 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005 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.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005 on the true value as of December 31, 2005. 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.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 7 – Property Taxes (continued)

The full tax rate for all Village operations for the year ended December 31, 2006 and 2005, 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:	2006	2005
Agricultural/Residential	\$9,588,380	\$9,581,000
Other	\$3,486,970	\$3,496,630
Tangible Personal Property:		
Public Utilities Real	\$6,880	\$8,770
General	\$1,203,640	\$1,454,190
Total Assessed Value	\$14,285,870	\$14,540,590

Note 8 – Risk Management

The Village is insured through the Public Entities Pool of Ohio (PEP), a risk sharing pool available to Ohio local governments. PEP provides property and casualty insurance 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

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2006 and \$1,250,000 for 2005. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 8 – Risk Management (continued)

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 (latest available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained Earnings	<u>\$ 13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Members' Equity	<u>\$ 3,375,087</u>	<u>\$3,108,199</u>

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

There have been no significant reductions in insurance coverage during 2006 or 2005. Settled claims have not exceeded commercial excess coverage in any of the past three years.

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. 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, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 OR (800)222-7377.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 9 – Defined Benefit Pension Plans (continued)

Ohio Public Employees Retirement System (continued)

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.70 percent (9.2% to pension, 4.5% to fund health care) except those in law enforcement or public safety. For those classifications, the employer's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.55 percent, except those in law enforcement or public safety. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$ 45,827, \$41,789, and \$37,121 respectively. The full amount has been contributed for 2006, 2005 and 2004.

The Village's required contributions for Ohio Police & Fire pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$ 24,274, \$23,104, and \$22,690, respectively. The full amount has been contributed for 2006, 2005 and 2004.

Note 10 – Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and 13.55 percent, respectively of covered payroll; 4.5 and 4.00 percent of covered payroll was the portion that was used to fund health care in 2006 and 2005, respectively.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 6 percent annually for the next nine years and 4.00 percent annually after ten years.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 10 – Postemployment Benefits (continued)

Ohio Public Employees Retirement System (continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was \$379,109. The actuarial value of OPERS’s net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.1 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of 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, which will allow additional funds to be allocated to the health care plan.

Note 11 - Debt

The Village’s long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate %	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
Backhoe	5.40	27,590	13,190	27,590	13,190	13,190
Land Contract	5.45	26,461	13,461	26,461	13,461	13,461
Police Cruiser	5.45	4,270	0	4,270	0	0
Franklin Street Note	5.30	21,012	11,012	21,012	11,012	11,012
Ford Crown Victoria	4.38	10,443	0	10,443	0	0
Total		\$89,776	\$37,663	\$89,776	\$37,663	\$37,663
<u>Business-Type Activities</u>						
GMAC – Water Note	5.00	181,917	0	30,000	151,917	7,000
OPWC – Water Tower	0.00	208,041	0	10,402	197,639	10,402
Ambulance E450	5.10	0	127,347	0	127,347	127,347
Fire Equipment Note	5.45	33,237	0	33,237	0	0
Fire Truck	5.45	126,617	0	126,617	0	0
Ambulance Note	5.93	52,270	0	52,270	0	0
Total		\$602,082	\$127,347	\$252,526	\$476,903	\$144,749

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 11 – Debt (continued)

The Village’s long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate %	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Principal Due Within One Year
<u>Governmental Activities</u>						
Backhoe	5.40		27,590		27,590	27,590
400 Elm Street Note	3.88	9,083		9,083	0	0
Land Contract	5.45	34,000	26,461	34,000	26,461	26,461
Street Truck	4.75	13,513		13,513	0	0
Police Cruiser	5.45	8,541	4,270	8,541	4,270	4,270
Franklin Street Note	5.26	25,000	21,012	25,000	21,012	21,012
Ford Crown Victoria	4.38	20,885	10,443	20,885	10,443	10,443
Commerce Park	5.45	0				
Total		<u>\$111,022</u>	<u>\$89,776</u>	<u>\$111,022</u>	<u>\$89,776</u>	<u>\$89,776</u>
<u>Business-Type Activities</u>						
GMAC – Water Note	5.00	211,350	0	29,433	181,917	7,000
OPWC – Water Tower	0.00	215,253	0	7,212	208,041	10,402
Fire Equipment Note	5.45	45,000	33,237	45,000	33,237	33,237
Fire Truck	5.45	135,000	126,617	135,000	126,617	126,617
Heart Monitor Note	5.26	44,544	0	44,544	0	0
Ambulance Note	5.93	63,900	0	11,630	52,270	11,630
Total		<u>\$715,047</u>	<u>\$159,854</u>	<u>\$272,819</u>	<u>\$602,082</u>	<u>\$188,886</u>

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.

Village of Union City, Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 11 – Debt (continued)

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

Year	GMAC Water Note	OPWC	Ambulance E450 Note	Other Notes Renewed Annually
2007	17,350	10,402	133,842	39,693
2008	18,000	10,402	0	0
2009	17,600	10,402	0	0
2010	18,200	10,402	0	0
2011	17,750	10,402	0	0
2012 – 2016	87,650	52,010	0	0
2017 – 2021	89,400	52,010	0	0
2022 – 2026	52,900	52,011	0	0
Totals	<u>\$318,850</u>	<u>\$208,041</u>	<u>\$133,842</u>	<u>\$39,693</u>

Note 12 – 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 2006, the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Other Governmental Funds	\$ 103,715
Total Transfers from the General Fund	<u>\$ 103,715</u>

During 2005 the following transfers were made:

<i>Transfers from the General Fund to:</i>	
Other Governmental Funds	\$ 113,937
Total Transfers from the General Fund	<u>\$ 113,937</u>

Note 13 – Contingent Liabilities

The Village is not party to any ongoing litigation.

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
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 14 – 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 15 – Reclassification of Fund

On January 1, 2005, the Village Council voted to reclassify the Rescue Fund from a special revenue fund to an enterprise fund to better reflect the nature of the fund’s activity. The Village charges fees for services for ambulance transport and ambulatory services. The Village does not receive any tax revenue from the residents for these services. The services are provided to residents and nonresidents and surrounding communities. The Village intent is for profit.

	Special Revenue Fund	Enterprise Fund
Fund cash balance, December 31, 2004	281,938	375,641
Reclassification of fund	(233,561)	233,561
Fund cash balance, January 1, 2005	48,377	609,202

Village of Union City
Notes to the Financial Statements
For the Year Ended December 31, 2006 and 2005

Note 16 – 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 modified 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, 2005	Issued	Retired	Balance at December 31, 2006	Due Within One Year
Mortgage Note	<u>\$344,401</u>	<u>0</u>	<u>0</u>	<u>\$344,401</u>	<u>\$38,356</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 commence February 1, 2007 and are paid monthly.

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***

Mayor and Members of Council
Village of Union City
419 Elm Street
Union City, Ohio 45390

We have audited the financial statements of the governmental activities, the business activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Village of Union City, Darke County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 4, 2007, wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34. 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 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. We noted other matters that we have reported to management in a separate letter dated May 4, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In a separate letter to the Village's management dated May 4, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

Manning & Associates CPAs, LLC
Dayton, Ohio

May 4, 2007



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
AUGUST 9, 2007**