



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF UNION CITY
DARKE COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Union City, Darke County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Union City, Darke County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2020, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

March 6, 2020

Village of Union City
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$71,353	\$36,103			\$107,456
Municipal Income Tax	259,365				259,365
Intergovernmental	74,799	79,806		\$48,500	203,105
Charges for Services	98,217	364,646			462,863
Fines, Licenses and Permits	9,038	460			9,498
Earnings on Investments	2,418	53			2,471
Miscellaneous	7,941	12,323		177,200	197,464
<i>Total Cash Receipts</i>	<u>523,131</u>	<u>493,391</u>		<u>225,700</u>	<u>1,242,222</u>
Cash Disbursements					
Current:					
Security of Persons and Property	186,699	74,417			261,116
Public Health Services	4,047	339,687			343,734
Community Environment	385				385
Basic Utility Services	71,933				71,933
Transportation	72,149	78,466			150,615
General Government	109,119	14,959			124,078
Capital Outlay		58,000		48,500	106,500
Debt Service:					
Principal Retirement		22,509	\$14,802		37,311
Interest and Fiscal Charges		2,090			2,090
<i>Total Cash Disbursements</i>	<u>444,332</u>	<u>590,128</u>	<u>14,802</u>	<u>48,500</u>	<u>1,097,762</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>78,799</u>	<u>(96,737)</u>	<u>(14,802)</u>	<u>177,200</u>	<u>144,460</u>
Other Financing Receipts (Disbursements)					
Transfers In			14,802		14,802
Transfers Out	(14,802)				(14,802)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(14,802)</u>	<u>0</u>	<u>14,802</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	63,997	(96,737)	0	177,200	144,460
<i>Fund Cash Balances, January 1</i>	<u>332,861</u>	<u>258,306</u>	<u>0</u>	<u>1,560</u>	<u>592,727</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	161,569	0	178,760	340,329
Committed	200,000	0	0	0	200,000
Assigned	196,858	0	0	0	196,858
Unassigned (Deficit)		0	0	0	0
<i>Fund Cash Balances, December 31</i>	<u>\$396,858</u>	<u>\$161,569</u>	<u>\$0</u>	<u>\$178,760</u>	<u>\$737,187</u>

See accompanying notes to the basic financial statements.

Village of New Union City
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2018

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$467,257		\$467,257
Miscellaneous	45,907		45,907
<i>Total Operating Cash Receipts</i>	<u>513,164</u>	<u>0</u>	<u>513,164</u>
Operating Cash Disbursements			
Personal Services	96,253		96,253
Employee Fringe Benefits	37,401		37,401
Contractual Services	203,365		203,365
Supplies and Materials	16,802		16,802
Other	73,979		73,979
<i>Total Operating Cash Disbursements</i>	<u>427,800</u>	<u>0</u>	<u>427,800</u>
<i>Operating Income (Loss)</i>	<u>85,364</u>	<u>0</u>	<u>85,364</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(10,402)		(10,402)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(10,402)</u>	<u>0</u>	<u>(10,402)</u>
<i>Net Change in Fund Cash Balances</i>	74,962	0	74,962
<i>Fund Cash Balances, January 1</i>	<u>933,270</u>	<u>719</u>	<u>933,989</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,008,232</u>	<u>\$719</u>	<u>\$1,008,951</u>

See accompanying notes to the basic financial statements.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Union City (the Village), Darke County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, fire protection, rescue services, street services and police services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool for liability insurance. Note 6 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire and Rescue Operations - The fire and rescue fund accounts for and reports charges for services and contractual payments restricted for providing fire and EMS run services.

Police Levy Fund - The police levy fund accounts for that portion of property taxes restricted to support the Village police department.

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

General Obligation Bond Retirement Fund - The general obligation bond retirement fund accounts for the accumulation of resources for the payment of bond and note indebtedness.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Grant Construction Fund - The grant construction fund accounts for grant awards restricted for construction projects.

Enterprise Funds - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. The fund receives charges for services revenue from customers to cover the cost of providing those services.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The fund receives charges for services revenue from customers to cover the cost of providing those services.

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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.

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for the Mayor's Court activity.

Mayor's Court - The mayor's court fund accounts for monies collected from fines imposed for tickets issued by the Village's police protection force. In part, funds collected are on behalf of the State of Ohio. In addition, funds are used in part for safety programs, computerization and general Village operations.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable - The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Committed - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$513,963	\$523,131	\$9,168
Special Revenue	470,417	493,391	22,974
Debt Service	15,000	14,802	(198)
Capital Projects	48,500	225,700	177,200
Enterprise	465,119	513,164	48,045
Total	<u>\$1,512,999</u>	<u>\$1,770,188</u>	<u>\$257,189</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$848,609	\$459,134	\$389,475
Special Revenue	733,124	590,128	142,996
Debt Service	15,000	14,802	198
Capital Projects	50,059	48,500	1,559
Enterprise	1,397,199	438,202	958,997
Total	<u>\$3,043,991</u>	<u>\$1,550,766</u>	<u>\$1,493,225</u>

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2018</u>
Demand deposits	\$1,525,667
Certificates of deposit	<u>220,471</u>
Total deposits	<u><u>\$1,746,138</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 6 - Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$35,381,789
Actuarial liabilities	\$12,965,015

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Social Security

Several of the Village’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OPWC Loan - Water Tower	\$72,814	0.00%
OPWC Loan - Elm Street	155,421	0.00%
First Financial Bank Ambulance Loan	67,087	2.60%
Total	\$295,322	

The Water System Improvement loan was issued for the construction of a new water tower; the interest free loan was financed through the Ohio Public Works Commission and matures on July 1, 2025. The loan is being repaid in semi-annual installments of \$5,201.

The Elm Street Reconstruction loan was issued for improvements to Elm Street within the Village; the interest free loan was financed through the Ohio Public Works Commission and matures on January 1, 2029. The loan is being repaid in semi-annual installments of \$7,401.

The Main Source Ambulance loan financed the acquisition of a new 2016 Medix 150 in October 2016 for \$115,000. The note is being repaid in monthly installments and will mature in October 2021.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OPWC Loan <u>Water Tower</u>	OPWC Loan <u>Elm Street</u>	First Financial Ambulance Loan
2019	\$10,402	\$14,802	\$24,600
2020	10,402	14,802	24,600
2021	10,402	14,802	20,500
2022	10,402	14,802	
2023	10,402	14,802	
2024-2028	20,804	74,010	
2029-2033		7,401	
Total	<u>\$72,814</u>	<u>\$155,421</u>	<u>\$69,700</u>

Note 10 – Subsequent Events

The Village was awarded a PY2018 CDBG Allocation and Neighborhood Revitalization Grant in the amount of \$48,000 in May 2018. The Village received the funds in 2019.

The Village was awarded an Assistance to Firefighters Grant from the Federal Emergency Management Agency in the amount of \$178,618 in September 2018. The Village received the funds in 2019.

The Village entered into a Water Pollution Control Loan Fund agreement with the Ohio Environment Protection Agency in March 2019. The loan, with principal forgiveness amount of \$625,000, will be used to provide funding for the Sanitary Sewer Rehabilitation Phase V project.

The Village entered an Ohio Public Works Commission Project Grant / Loan Agreement in July 2019 for the North Street Reconstruction project for an amount not to exceed \$492,000 the sole and express purpose of financing or reimbursing costs of the project.

Village of Union City
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$71,586	\$36,562			\$108,148
Municipal Income Tax	245,005				245,005
Intergovernmental	71,801	136,133		\$318,337	526,271
Charges for Services	112,187	323,673			435,860
Fines, Licenses and Permits	479	225			704
Earnings on Investments	1,794	117			1,911
Miscellaneous	6,631	11,290			17,921
<i>Total Cash Receipts</i>	<u>509,483</u>	<u>508,000</u>		<u>318,337</u>	<u>1,335,820</u>
Cash Disbursements					
Current:					
Security of Persons and Property	179,094	25,527			204,621
Public Health Services	3,987	410,705			414,692
Community Environment	159				159
Basic Utility Services	70,725				70,725
Transportation	28,434	83,800			112,234
General Government	118,829	14,076			132,905
Capital Outlay				328,188	328,188
Debt Service:					
Principal Retirement		21,923	\$42,032		63,955
Interest and Fiscal Charges		2,677	274		2,951
<i>Total Cash Disbursements</i>	<u>401,228</u>	<u>558,708</u>	<u>42,306</u>	<u>328,188</u>	<u>1,330,430</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>108,255</u>	<u>(50,708)</u>	<u>(42,306)</u>	<u>(9,851)</u>	<u>5,390</u>
Other Financing Receipts (Disbursements)					
Transfers In			42,306		42,306
Transfers Out	(42,306)				(42,306)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(42,306)</u>	<u>0</u>	<u>42,306</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	65,949	(50,708)	0	(9,851)	5,390
<i>Fund Cash Balances, January 1</i>	<u>266,912</u>	<u>309,014</u>	<u>0</u>	<u>11,411</u>	<u>587,337</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	0	0
Restricted	0	258,306	0	1,560	259,866
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned (Deficit)	332,861	0	0	0	332,861
<i>Fund Cash Balances, December 31</i>	<u>\$332,861</u>	<u>\$258,306</u>	<u>\$0</u>	<u>\$1,560</u>	<u>\$592,727</u>

Village of Union City
Darke County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$443,964		\$443,964
Fines, Licenses & Permits		\$200	200
Miscellaneous	32,486		32,486
<i>Total Operating Cash Receipts</i>	<u>476,450</u>	<u>200</u>	<u>476,650</u>
Operating Cash Disbursements			
Personal Services	82,559		82,559
Employee Fringe Benefits	37,747		37,747
Contractual Services	172,575	14	172,589
Supplies and Materials	33,804		33,804
Other	45,478		45,478
<i>Total Operating Cash Disbursements</i>	<u>372,163</u>	<u>14</u>	<u>372,177</u>
<i>Operating Income (Loss)</i>	<u>104,287</u>	<u>186</u>	<u>104,473</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(96,511)		(96,511)
Principal Retirement	(10,402)		(10,402)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(106,913)</u>	<u>0</u>	<u>(106,913)</u>
<i>Net Change in Fund Cash Balances</i>	(2,626)	186	(2,440)
<i>Fund Cash Balances, January 1</i>	<u>935,896</u>	<u>533</u>	<u>936,429</u>
<i>Fund Cash Balances, December 31</i>	<u>\$933,270</u>	<u>\$719</u>	<u>\$933,989</u>

See accompanying notes to the basic financial statements.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Union City (the Village), Darke County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, fire protection, rescue services, street services and police services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool for liability insurance. Note 6 to the financial statements provide additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Fire and Rescue Operations - The fire and rescue fund accounts for and reports charges for services and contractual payments restricted for providing fire and EMS run services.

Police Levy Fund - The police levy fund accounts for that portion of property taxes restricted to support the Village police department.

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

General Obligation Bond Retirement Fund - The general obligation bond retirement fund accounts for the accumulation of resources for the payment of bond and note indebtedness.

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Grant Construction Fund - The grant construction fund accounts for grant awards restricted for construction projects.

Enterprise Funds - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. The fund receives charges for services revenue from customers to cover the cost of providing those services.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. The fund receives charges for services revenue from customers to cover the cost of providing those services.

Fiduciary Funds - Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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.

Agency funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's agency fund accounts for the Mayor's Court activity.

Mayor's Court - The mayor's court fund accounts for monies collected from fines imposed for tickets issued by the Village's police protection force. In part, funds collected are on behalf of the State of Ohio. In addition, funds are used in part for safety programs, computerization and general Village operations.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary - expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable - The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Committed - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$477,746	\$509,483	\$31,737
Special Revenue	482,662	508,000	25,338
Debt Service	42,306	42,306	0
Capital Projects	375,000	318,337	(56,663)
Enterprise	455,624	476,450	20,826
Total	<u>\$1,833,338</u>	<u>\$1,854,576</u>	<u>\$21,238</u>

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$746,443	\$443,534	\$302,909
Special Revenue	791,078	558,706	232,372
Debt Service	42,306	42,306	0
Capital Projects	386,411	328,188	58,223
Enterprise	1,390,331	479,076	911,255
Total	<u>\$3,356,569</u>	<u>\$1,851,810</u>	<u>\$1,504,759</u>

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2017</u>
Demand deposits	\$1,306,245
Certificates of deposit	<u>220,471</u>
Total deposits	<u><u>\$1,526,716</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$19,000.

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

2017 Contributions to PEP
\$30,292

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Social Security

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Loan - Water Tower	\$83,216	0.00%
OPWC Loan - Elm Street	170,223	0.00%
Main Source Ambulance Loan	89,596	2.60%
Total	\$343,035	

The Water System Improvement loan was issued for the construction of a new water tower; the interest free loan was financed through the Ohio Public Works Commission and matures on July 1, 2025. The loan is being repaid in semi-annual installments of \$5,201.

The Elm Street Reconstruction loan was issued for improvements to Elm Street within the Village; the interest free loan was financed through the Ohio Public Works Commission and matures on January 1, 2029. The loan is being repaid in semi-annual installments of \$7,401.

The Main Source Ambulance loan financed the acquisition of a new 2016 Medix 150 in October 2016 for \$115,000. The note is being repaid in monthly installments and will mature in October 2021.

The Main Source Commerce Park loan financed the purchase of two properties to demolish. The outstanding principal balance at December 31, 2016 was \$26,351. The note was repaid in monthly installments and was paid off in 2017.

The Commerce Park loan was issued for improvements to Commerce Park within the Village. The outstanding principal balance at December 31, 2016 was \$3,476. The loan was financed through the Ohio Development Services Agency and matured in January 2017. The loan was paid off, on behalf of the Village, by the Union County Area Community Improvement Corporation through the sale of property to Ha-Ste Manufacturing Company, Inc.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Village of Union City, Ohio
Darke County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Year ending	OPWC Loan	OPWC Loan	Main Source
December 31:	<u>Water Tower</u>	<u>Elm Street</u>	<u>Ambulance</u>
			Loan
2018	\$10,402	\$14,802	\$24,600
2019	10,402	14,802	24,600
2020	10,402	14,802	24,600
2021	10,402	14,802	20,500
2022	10,402	14,802	
2023-2027	31,206	74,010	
2028-2032		22,203	
Total	<u>\$83,216</u>	<u>\$170,223</u>	<u>\$94,300</u>

Note 10 – Subsequent Events

The Village was awarded a PY2018 CDBG Allocation and Neighborhood Revitalization Grant in the amount of \$48,000 in May 2018. The Village received the funds in 2019.

The Village was awarded an Assistance to Firefighters Grant from the Federal Emergency Management Agency in the amount of \$178,618 in September 2018. The Village received the funds in 2019.

The Village entered into a Water Pollution Control Loan Fund agreement with the Ohio Environment Protection Agency in March 2019. The loan, with principal forgiveness amount of \$625,000, will be used to provide funding for the Sanitary Sewer Rehabilitation Phase V project.

The Village entered an Ohio Public Works Commission Project Grant / Loan Agreement in July 2019 for the North Street Reconstruction project for an amount not to exceed \$492,000 the sole and express purpose of financing or reimbursing costs of the project.

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Union City, Darke County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated March 6, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-003 through 2018-005.

Village's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

March 6, 2020

VILLAGE OF UNION CITY
DARKE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness – Financial Statement Errors

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village did not have procedures in place to accurately post financial transactions to the accounting system. As such, the Village's financial statements for 2017 and 2018 contained material errors which resulted in reclassification and adjustments to correctly report the financial activity during the audit period as follows:

- In 2017, principal and interest payments for an ambulance loan were posted to Loans Issued instead of Principal Retirement and Interest and Fiscal Charges in the Fire and EMS Special Revenue Fund. Therefore, Principal Retirement was understated by \$21,923, Interest and Fiscal Charges was understated by \$2,677 and Loans Issued disbursements was overstated by \$24,600.
- In 2018, farm land rental receipts of \$29,826 were incorrectly recorded as Charges for Services instead of Miscellaneous receipts in the Sewer Enterprise Fund.
- Governmental Accounting Standards Board (GASB) Statement No. 54 paragraph 16 (GASB Codification 1800.176 - Fund Balance Reporting and Governmental Fund Type Definitions), states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. In addition, Auditor of State Bulletin 2011-004 states that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund, as it is the only fund with a positive unassigned fund balance. At December 31, 2018 and 2017, General Fund subsequent year appropriations in excess of estimated receipts, in the amount of \$196,857 and \$332,861 were classified as Unassigned Fund Balance instead of Assigned Fund Balance.
- In 2017, the Village failed to report Mayor's Court activity as an Agency Fund on the financial statements which resulted in the follow misstatements: Beginning Fund Balance was understated by \$533, Contractual Services disbursements was understated by \$14, Fines, Licenses and Permits revenue was understated by \$200 and Ending Fund Balance was understated by \$719.
- In 2018, the Village failed to report Mayor's Court activity as an Agency Fund on the financial statements which resulted in the Beginning Fund Balance and Ending Fund Balance being understated by \$719.

The Village's financial reports for 2017 and 2018 also contained errors which did not require reclassifications or adjustments as follows:

- In 2017, Time Warner franchise fees of \$8,402 were incorrectly recorded as Charges for Services rather than Fines, Licenses, and Permits in the General Fund.
- In 2017 and 2018, the Village received permissive tax money levied under Ohio Rev. Code § 4504.06. This money was incorrectly recorded as Intergovernmental rather than Property and Other Local Taxes in the amounts of \$6,993 and \$6,895, respectively, in the Permissive Motor Vehicle Tax Fund.

Failure to properly record financial activity could lead to material financial statement errors and misleading financial statement information. Policies and procedures should be developed and implemented to verify that all financial activity is recorded correctly.

**FINDING NUMBER 2018-001
(Continued)**

Officials' Response:

As the financial statement is not computer generated with the Village's accounting program, the actual receipts were correctly put into the Village's accounting system and reports generated from the system correctly reflect the activities of the Village. The financial statement is a tool for the State Auditor and serves a purpose and the Village makes every effort to provide an accurate copy, the residents of the Village have no interest in the report. The Fiscal Officer will make every attempt to provide the State an accurate Financial Statement for subsequent years.

FINDING NUMBER 2018-002

Material Weakness - Medicount

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Village has delegated ambulance service billing processing, which is a significant accounting function, to a third-party administrator, Medicount. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Village with reasonable assurance that ambulance service billing transactions conform to the Village's contract with Medicount.

Medicount had Type 2 SOC 1 reports available for the audit period. These reports included internal controls that should be in operation at the Village to complement the controls at Medicount's medical billing system. There was no evidence to support these controls were implemented by the Village.

Also, the following errors were noted during our test of Medicount receipts:

- In 2017, the Village did not provide monthly detailed run reports to support if the correct billing rate was used for six Medicount receipts tested. Also, the Village failed to provide monthly summary financial reports for four of those receipts.
- In 2018, the Village did not provide monthly detailed run reports to support if the correct billing rate was used for five Medicount receipts tested. Also, the Village failed to provide monthly summary financial reports for four of those receipts.

Failure to maintain evidence supporting that procedures were implemented by the Village to monitor the transactions processed by Medicount may result in inaccurate processing of service billing, incorrect payments received, and inaccurate reports submitted.

The Village should maintain evidence to support that procedures were implemented by the Village to verify the completeness and accuracy of ambulance service billings processed by Medicount.

Officials' Response:

The Village Fiscal Officer has no access to the medical billing for the Village of Union City's Fire/Rescue Department as that is done internally by the Fire/Rescue personnel. Reports are protected by HIPPA and therefore are not a public record. The Village's Safety Service Director Mark Ater monitors the activities of Medicount, gets copies of all ACH deposits and verifies the payment is correct with what was billed.

FINDING NUMBER 2018-003

Noncompliance – Finding for Recovery – Craig Idle

From January 2010 through August 2016, former Village EMT/Firefighter Craig Idle falsified his bi-weekly payroll time sheets to include EMS runs as well as short and long transports that either did not occur and/or for which there were no underlying EMS billing records or other applicable support verifying that he was on the crew on the specific days indicated on his time sheets. Also, his bi-weekly time sheets were approved by his wife and former Fire Chief Pamela Idle. The resulting overpayment due to the falsification of time sheets was \$33,240 in total. Additionally, there was no documentation to support that the Village Council was aware the time sheets were falsified or approved the overpayments with such knowledge and that they were otherwise for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against former Village EMT/Firefighter Craig Idle in the amount of \$33,240, and in favor of the Village of Union City Fire/Rescue Fund.

Official's Response:

The finding for recovery against Craig Idle, Pamela Idle and Brian Stump due to falsified time sheets have resulted in criminal charges against the three employees. Craig Idle, Pamela Idle are currently on unpaid Administrative leave and Brian Stump has since resigned his position. The Village has changed the procedure in which employees record their hours worked. This is done through an internet program that can track when and where they clock in at. The Director of Safety Services only has the ability to change records, the Fiscal Officer has read only ability for the Fire/Rescue Department.

FINDING NUMBER 2018-004

Noncompliance – Finding for Recovery – Pamela Idle

From January 2010 through August 2016, former Village Fire Chief Pamela Idle falsified her bi-weekly payroll time sheets to include EMS runs as well as short and long transports that either did not occur and/or for which there were no underlying EMS billing records or other applicable support verifying that she was on the crew on the specific days indicated on her time sheets. Also, her bi-weekly time sheets were not approved by a knowledgeable supervisor. The resulting overpayment due to the falsification of time sheets was \$31,305 in total. Additionally, there was no documentation to support that the Village Council was aware the time sheets were falsified or approved the overpayments with such knowledge and that they were otherwise for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against former Village Fire Chief Pamela Idle in the amount of \$31,305, and in favor of the Village of Union City Fire/Rescue Fund.

Official's Response:

The finding for recovery against Craig Idle, Pamela Idle and Brian Stump due to falsified time sheets have resulted in criminal charges against the three employees. Craig Idle, Pamela Idle are currently on unpaid Administrative leave and Brian Stump has since resigned his position. The Village has changed the procedure in which employees record their hours worked. This is done through an internet program that can track when and where they clock in at. The Director of Safety Services only has the ability to change records, the Fiscal Officer has read only ability for the Fire/Rescue Department.

FINDING NUMBER 2018-005

Noncompliance – Finding for Recovery – Brian Stump

From January 2010 through August 2016, former Village Firefighter/EMT Brian Stump falsified his bi-weekly payroll time sheets to include EMS runs as well as short and long transports that either did not occur and/or for which there were no underlying EMS billing records or other applicable support verifying that he was on the crew on the specific days indicated on his time sheets. The resulting overpayment due to the falsification of time sheets was \$11,290 in total. Additionally, there was no documentation to support that the Village Council was aware the time sheets were falsified or approved the overpayments with such knowledge and that they were otherwise for a proper public purpose.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public property converted or misappropriated is hereby issued against former Village EMT/Firefighter Brian Stump in the amount of \$11,290, and in favor of the Village of Union City Fire/Rescue Fund.

Official's Response:

The finding for recovery against Craig Idle, Pamela Idle and Brian Stump due to falsified time sheets have resulted in criminal charges against the three employees. Craig Idle, Pamela Idle are currently on unpaid Administrative leave and Brian Stump has since resigned his position. The Village has changed the procedure in which employees record their hours worked. This is done through an internet program that can track when and where they clock in at. The Director of Safety Services only has the ability to change records, the Fiscal Officer has read only ability for the Fire/Rescue Department.



THE VILLAGE OF UNION CITY, OHIO

419 E. Elm Street
 Union City, Ohio 45390

MAYOR
 John Fields
 937-968-4305 ext. 3

VILLAGE ADMINISTRATOR/FISCAL OFFICER
 Karen Stubbs
 937-968-4305 ext. 1

TAX ADMINISTRATOR
 Tonya Coning
 937-968-4305 ext. 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	The Village's financial statements included numerous errors	Not Corrected	Re-issued as Finding 2018-001, see Village's response to this matter in the current year schedule of findings
2016-002	There were numerous deficiencies regarding utility receipts	Partially Corrected	Re-issued as management letter recommendation Village has a policy in the Utility Ordinance allowing for adjustments. A separate policy can be written to reflect the Ordinance. The maintenance fee is receipted on a separate line item, council can review what is collected and expended. A new program was purchased for the Village Utility Department.
2016-003	Failure to monitor the processing of EMS billings and collections	Not Corrected	Re-issued as Finding 2018-002, see Village's response to this matter in the current year schedule of findings

"Moving Ahead One Step At A Time"

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OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 21, 2020