

**VILLAGE OF UNION CITY**  
**DAYTON REGION, DARKE COUNTY**  
**REGULAR AUDIT**  
JANUARY 1, 2003 – DECEMBER 31, 2004





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Village of Union City, Darke County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 11, 2005

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**VILLAGE OF UNION CITY  
DARKE COUNTY**

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

**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the accompanying financial statements of the Village of Union City, Darke County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village of Union City has prepared financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Union City' combined funds as of December 31, 2004 and 2003 and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Union City, Darke County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 10, 2005, on our consideration of the Village of Union City' internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Vanderhorst & Manning CPAs, LLC  
Dayton, Ohio

April 10, 2005



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**VILLAGE OF UNION CITY  
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Taxes	\$ 408,784	\$ 42,310	\$ 0	\$ 0	\$ 451,094
Intergovernmental Receipts	58,109	275,721	0	28,500	362,330
Charges for Services	69,656	543,613	0	0	613,269
Fines, Licenses and Permits	39,374	3,672	0	0	43,046
Earnings on Investments	16,037	435	0	0	16,472
Miscellaneous	22,813	5,813	0	0	28,626
<b>Total Cash Receipts</b>	<u>614,773</u>	<u>871,564</u>	<u>0</u>	<u>28,500</u>	<u>1,514,837</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Person and Property	199,491	545,919	0	0	745,410
Public Health	4,120	5,517	0	0	9,637
Leisure Time Activities	0	11,865	0	0	11,865
Community Environment	542	0	0	0	542
Basic Utility Service	52,536	0	0	0	52,536
Transportation	50,728	100,013	0	0	150,741
General Government	288,197	19,283	0	32,407	339,887
Capital Outlay	0	63,900	0	243,753	307,653
Debt Service: Principal	0	62,113	22,000	8,000	92,113
Interest	1,854	10,508	1,356	0	13,718
<b>Total Cash Disbursements</b>	<u>597,468</u>	<u>819,118</u>	<u>23,356</u>	<u>284,160</u>	<u>1,724,102</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>17,305</u>	<u>52,446</u>	<u>(23,356)</u>	<u>(255,660)</u>	<u>(209,265)</u>
Other Financing Receipts/(Disbursements):					
Proceeds from Sale of Notes	54,426	115,557	0	215,253	385,236
Sale of Fixed Assets	1,000	0	0	0	1,000
Transfers-In	0	27,039	23,356	32,500	82,895
Transfers-Out	(82,895)	0	0	0	(82,895)
Advance-In	963	0	0	0	963
Advance-Out	0	(963)	0	0	(963)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(26,506)</u>	<u>141,633</u>	<u>23,356</u>	<u>247,753</u>	<u>386,236</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,201)	194,079	0	(7,907)	176,971
<b>Fund Cash Balances, January 1, 2004</b>	<u>56,470</u>	<u>87,858</u>	<u>0</u>	<u>8,000</u>	<u>152,328</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u>47,269</u>	<u>281,937</u>	<u>0</u>	<u>93</u>	<u>329,299</u>
<b>Reserve for Encumbrances, December 31, 2004</b>	<u>\$ 2,097</u>	<u>\$ 4,091</u>	<u>0</u>	<u>\$ 0</u>	<u>\$ 6,188</u>

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

**VILLAGE OF UNION CITY  
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND  
SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<b>PROPRIETARY FUND TYPE <u>Enterprise</u></b>	<b>FIDUCIARY FUND TYPE <u>Agency</u></b>	<b>Total (Memorandum Only)</b>
<b>Operating Cash Receipts:</b>			
Changes for Services	\$ 340,383	\$ 0	\$ 340,383
Miscellaneous	20	0	20
	<u>340,403</u>	<u>0</u>	<u>340,403</u>
Total Operating Cash Receipts	<u>340,403</u>	<u>0</u>	<u>340,403</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	184,026	0	184,026
Contractual Services	61,854	0	61,854
Supplies and Materials	19,997	0	19,997
Capital Outlay	269,090	0	269,090
	<u>534,967</u>	<u>0</u>	<u>534,967</u>
Total Operating Cash Disbursements	<u>534,967</u>	<u>0</u>	<u>534,967</u>
Operating Income (Loss)	<u>(194,564)</u>	<u>0</u>	<u>(194,564)</u>
<b>Non-Operating Cash Receipts (Disbursements)</b>			
Sale of Fixed Asset	50	0	50
Other Non-Operating Receipts	0	38,173	38,173
Other Non-Operating Expenses	0	(39,162)	(39,162)
Debt Service: Principal	(28,650)	0	(28,650)
Interest	(11,714)	0	(11,714)
	<u>(40,314)</u>	<u>(989)</u>	<u>(41,303)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>(40,314)</u>	<u>(989)</u>	<u>(41,303)</u>
Excess of Cash Receipts Over/(Under)	(234,878)	(989)	(235,867)
<b>Fund Cash Balances, January 1, 2004</b>	<u>610,519</u>	<u>2,825</u>	<u>613,344</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u>375,641</u>	<u>1,836</u>	<u>377,477</u>
<b>Reserve for Encumbrances, December 31, 2004</b>	<u>\$ 90,517</u>	<u>\$ 0</u>	<u>\$ 90,517</u>

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

**VILLAGE OF UNION CITY  
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Taxes	\$ 395,803	\$ 42,886	\$ 0	\$ 438,689
Intergovernmental Receipts	40,549	134,977	0	175,526
Charges for Services	72,666	370,830	0	443,496
Fines, Licenses and Permits	45,321	4,246	0	49,567
Interest	20,442	263	0	20,705
Miscellaneous	2,649	107,653	0	110,302
<b>Total Cash Receipts</b>	<u>577,430</u>	<u>660,855</u>	<u>0</u>	<u>1,238,285</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Person and Property	203,493	511,522	0	715,015
Public Health	4,011	3,761	0	7,772
Leisure Time Activities	0	11,162	0	11,162
Community Environment	209	0	0	209
Basic Utility Service	53,498	0	0	53,498
Transportation	74,398	107,840	0	182,238
General Government	274,935	1,824	0	276,759
Capital Outlay	0	0	3,928	3,928
Debt Service: Principal	32,932	15,000	0	47,932
Interest	2,572	10,276	0	12,848
<b>Total Cash Disbursements</b>	<u>646,048</u>	<u>661,385</u>	<u>3,928</u>	<u>1,311,361</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(68,618)</u>	<u>(530)</u>	<u>(3,928)</u>	<u>(73,076)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes	66,513	0	0	66,513
Sale of Assets	0	3,100	0	3,100
Advances-In	0	963	0	963
Advances-Out	(963)	0	0	(963)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>65,550</u>	<u>4,063</u>	<u>0</u>	<u>69,613</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(3,068)</u>	<u>3,533</u>	<u>(3,928)</u>	<u>(3,463)</u>
<b>Fund Cash Balances, January 1, 2003</b>	<u>59,538</u>	<u>84,325</u>	<u>11,928</u>	<u>155,791</u>
<b>Fund Cash Balances, December 31, 2003</b>	<u>56,470</u>	<u>87,858</u>	<u>8,000</u>	<u>152,328</u>
<b>Reserve for Encumbrances, December 31, 2003</b>	<u>\$ 6,758</u>	<u>\$ 3,414</u>	<u>\$ 0</u>	<u>\$ 10,172</u>

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

**VILLAGE OF UNION CITY  
DARKE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND  
SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<b>PROPRIETARY FUND TYPE <u>Enterprise</u></b>	<b>FIDUCIARY FUND TYPE <u>Agency</u></b>	<b>Total (Memorandum Only)</b>
<b>Operating Cash Receipts:</b>			
Changes for Services	\$ 351,378	\$ 0	\$ 351,378
Miscellaneous	42	0	42
	<hr/>	<hr/>	<hr/>
Total Operating Cash Receipts	351,420	0	351,420
	<hr/>	<hr/>	<hr/>
<b>Operating Cash Disbursements:</b>			
Personal Services	167,157	0	167,157
Contractual Services	79,661	0	79,661
Supplies and Materials	23,560	0	23,560
Capital Outlay	44,614	0	44,614
	<hr/>	<hr/>	<hr/>
Total Operating Cash Expenses	314,992	0	314,992
	<hr/>	<hr/>	<hr/>
Operating Income	36,428	0	36,428
	<hr/>	<hr/>	<hr/>
<b>Non-Operating Cash Receipts (Disbursements):</b>			
Sale of Fixed Assets	500	0	500
Earnings on Investments	7,645	0	7,645
Other Non-Operating Receipts	0	48,736	48,736
Other Non-Operating Expenses	0	(48,991)	(48,991)
Debt Service: Principal	(11,000)	0	(11,000)
Interest	(12,699)	0	(12,699)
	<hr/>	<hr/>	<hr/>
Total Non-Operating Cash Receipts (Disbursements)	(15,554)	(255)	(15,809)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over (Under)	20,874	(255)	20,619
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, January 1, 2003</b>	589,645	3,080	592,725
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31, 2003</b>	610,519	2,825	613,344
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Reserve for Encumbrances, December 31, 2003</b>	\$ 2,023	\$ 0	\$ 2,023
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The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**General Fund:**

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

**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**Special Revenue Funds:**

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

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

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

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

**Fire Equipment Fund** – This fund receives money from fire contracts.

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

**Capital Projects Funds:**

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

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

**Enterprise Funds:**

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

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

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

**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Fund Accounting** (Continued)

**Fiduciary Funds (Trust and Agency Funds)**

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

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

**E. Budgetary Process**

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

**Appropriations**

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

**Estimate Resources**

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

**Encumbrances**

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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



**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Unpaid Sick Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

	<b>2004</b>	<b>2003</b>
Demand Deposits	\$ 584,469	\$ 340,990
Certificates of Deposit	<u>120,471</u>	<u>421,857</u>
Totals	<u>\$ 704,940</u>	<u>\$ 762,847</u>

**Deposits:**

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

**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2004 and 2003 was as follows:

**2004 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 647,611	\$ 670,199	\$ 22,588
Special Revenue	782,369	1,014,160	231,791
Debt Service	30,000	23,356	(6,644)
Capital Projects	295,400	276,253	(19,147)
Enterprise Funds	358,504	340,453	(18,051)
Total	<u>\$ 2,113,884</u>	<u>\$ 2,324,421</u>	<u>\$ 210,537</u>

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 704,081	\$ 682,460	\$ 21,621
Special Revenue	869,628	823,209	46,419
Debt Service	30,000	23,356	6,644
Capital Projects	303,400	284,160	19,240
Enterprise Funds	969,024	665,848	303,176
Total	<u>\$ 2,876,133</u>	<u>\$ 2,479,033</u>	<u>\$ 397,100</u>

**2003 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 624,170	\$ 643,943	\$ 19,773
Special Revenue	611,944	663,985	52,041
Capital Projects	0	0	0
Enterprise Funds	372,075	359,565	(12,510)
Total	<u>\$ 1,608,189</u>	<u>\$ 1,667,493</u>	<u>\$ 59,304</u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 661,807	\$ 652,806	\$ 9,001
Special Revenue	692,925	664,799	28,126
Capital Projects	11,928	3,928	8,000
Enterprise Funds	961,720	340,714	621,006
Total	<u>\$ 2,328,380</u>	<u>\$ 1,662,247</u>	<u>\$ 666,133</u>

**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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**4. PROPERTY TAX**

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

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

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

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

**5. LOCAL INCOME TAX**

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

**6. CONTINGENT LIABILITY**

**LITIGATION**

The Village is a defendant in a lawsuit. In this action, the plaintiffs allege, wrongful death in connection with the Village's operation of its ambulance. The Village has retained a legal firm to represent the interests of the Village in this litigation.

Plaintiffs have alleged damages against the Village, in the amount of \$875,000, which is within insurance policy limits of \$1,000,000. No Trial date has been set. If the outcome is unfavorable to the Village, the amount of damages appear to be covered by insurance, however, this amount could be exceeded.

Although the outcome of this suit is not presently determinable, the resolution of these matters could have a material effect on the Village's financial statements, should the Courts rule against the Village. In an effort to resolve this matter short of trial, the Village is participating in meaningful settlement negotiations with the Plaintiffs and is hopeful these negotiations will conclude successfully by the end of July 2005.

**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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**7. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Water System Note	\$211,350	5.00%
Fire Truck Note	45,000	4.67%
Building Note	34,000	4.08%
Fire Truck Note	135,000	3.50%
State Grant Note	9,083	3.88%
Ambulance Capital Lease	63,900	5.93%
Street Truck	13,513	4.75%
Police Cruiser	8,541	4.24%
114 Franklin Street Bldg	25,000	3.98%
Heart Monitors	44,544	3.98%
2004 Ford Crown Victoria	20,885	4.38%
Water Tower	<u>215,253</u>	0.00%
<b>TOTAL</b>	<u><b>\$826,069</b></u>	

The Water System note was issued for improvements to the water system. 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 State Grant Note was issued for village's share of grant for revitalization project. The notes are renewed annually.

In 2002, the Village purchased a building for administrative offices. The land contract was refinance in 2003. This note is 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.

During 2004, the Village entered into a 5-year capital lease agreement with Republic First National Corporation for the purchase of a 2002 Marque Type II Custom Ambulance.

**VILLAGE OF UNION CITY  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

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**7. DEBT (Continued)**

Amortization of the long-term debt, including interest, is scheduled as follows:

<b>Year Ending December 31</b>	<b>Notes and Renewals</b>
2005	\$ 390,991
2006	41,872
2007	41,572
2008	41,273
2009	40,872
2010	25,533
2011-2024	<u>447,255</u>
<b>TOTAL</b>	<b><u>\$1,029,368</u></b>

**8. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PFDPF members contributed 10% of their gross wages. The Village contributed an amount equal to 19.5% of their gross wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**9. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

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

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

We have audited the financial statements of the Village of Union City, Darke County (the Village), as of and for the years ended December 2004 and 2003, and have issued our report thereon dated April 10, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Union City' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village of Union City in a separate letter dated April 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Union City' 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 have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Village of Union City in a separate letter dated April 10, 2005

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

Vanderhorst & Manning CPAs, LLC  
Dayton, Ohio

April 10, 2005







**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**VILLAGE OF UNION CITY**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 4, 2005**