

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2010

CITY OF UNION CITY

RANDOLPH COUNTY, INDIANA



FILED
08/10/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Financial Statement(s): Statement(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8
Notes to Financial Statement(s).....	9-14
Supplementary Information: Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-26
Schedule of Capital Assets.....	27
Schedule of Long-Term Debt	28
Audit Result(s) and Comment(s): Annual Report.....	29
Sale of Property.....	29-30
Trust Register - City Court.....	30
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	32-33
Schedule of Expenditures of Federal Awards	34
Note(s) to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36
Auditee Prepared Schedule(s): Summary Schedule of Prior Audit Findings	37
Exit Conference.....	38
Official Response	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anita M. Amspaugh	01-01-08 to 12-31-11
Mayor	Bryan Conklin	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Bryan Conklin	01-01-08 to 12-31-11
President of the Common Council	Chad Spence Tim Heuss	01-01-10 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Union City (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express opinions on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinions.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 28, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

The City's response to the Audit Result(s) and Comment(s) identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 28, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

We have audited the financial statement of the City of Union City (City), for the year ended December 31, 2010, and have issued our report thereon dated July 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement 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 or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 28, 2011

FINANCIAL STATEMENT(S)

CITY OF UNION CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments		Cash and Investments	
	01-01-10	Receipts	Disbursements	12-31-10
General Fund	\$ 707,890	\$ 1,589,185	\$ 1,593,799	\$ 703,276
City Court Cash Fund	18,167	4,818	4,271	18,714
EMT Training & Facilities	-	2,361	2,360	1
MVH	174,720	326,804	398,657	102,867
Local Road & Street	12,393	12,043	1,680	22,756
Park Non Reverting	18,559	9,148	7,472	20,235
Animal Shelter/Regist	-	1,907	585	1,322
Housing Rehab Grant	-	53,650	53,650	-
LECEF	4,027	2,629	50	6,606
Clerk's Record Perp.	3,730	1,403	496	4,637
Riverboat Fund	63,525	22,667	13,704	72,488
Park & Recreation	9,980	81,615	78,602	12,993
Harry Loy, Jr. Donations	14,199	-	3,580	10,619
CEDIT-Program Income Svgs	627	16,000	16,627	-
DT Revitalization Project	-	421,086	385,768	35,318
Ambulance-Non Reverting	72,430	215,980	174,156	114,254
Rainy Day Fund	356,094	105,551	107,918	353,727
Police K9 Fund	50	-	-	50
CEDIT	467,157	578,886	522,512	523,531
Utilities	83,555	225,341	251,785	57,111
Revolving Loan Fund	153,140	617	-	153,757
Operation Pullover	9	4,432	4,441	-
Drug Forfeiture	491	-	491	-
NSP Grant	-	480,306	431,826	48,480
Police Donations	1,033	3,307	3,317	1,023
CCI	35,701	10,605	26,472	19,834
CCD	63,381	13,736	29,946	47,171
CJ Equipment (LEBG)	176	-	-	176
Cemetery Non Reverting	138,088	7,880	-	145,968
Little Miss River Fund	1,454	-	1,454	-
Police Pension	56,059	39,900	39,418	56,541
Firemen's Pension	43,356	40,728	32,431	51,653
Payroll - Net Payroll	-	1,043,567	1,043,567	-
Payroll - Deferred Comp.	-	1,300	1,300	-
Payroll - Pre-Paid Legal	292	3,074	3,366	-
Payroll - P E R F	4,835	16,158	16,906	4,087
Payroll - Federal W/H	-	105,312	105,312	-
Payroll - State W/H	3,917	46,612	46,870	3,659
Payroll - Social Security	-	89,917	89,917	-
Payroll - Cagit W/H	1,527	18,487	18,590	1,424
Payroll - Credit Union	-	3,700	3,700	-
Payroll - P&F Ins Assn	19	7,351	7,370	-
Payroll - Health Ins.	-	28,995	28,995	-
Payroll - Dental & Vision	-	11,841	11,841	-
Payroll - Colonial Ins.	16	192	192	16
Payroll - American Life	49	407	407	49
Payroll - Medicare	-	37,196	37,196	-
Payroll - Miscellaneous	-	9,299	9,299	-
Payroll - Police Pen '77	3,472	14,978	14,775	3,675
Payroll - Fire Pen '77	4,288	17,007	17,009	4,286
Cemetery	36,632	27,850	27,897	36,585
Sewage - Operating Fund	109,870	827,347	840,469	96,748
Sewage - Bond & Interest	-	228,198	228,198	-
Sewage - Depreciation	357,601	123,802	-	481,403
Sewage - BoNY Debt Res	274,759	10,236	-	284,995
Sewage - BoNY Bond & Int	66,713	51,609	49,236	69,086
Sewage - SRF Drawdown	-	5,722	5,722	-
Water - Operating Fund	101,353	767,811	792,020	77,144
Water - B & I Fund	-	201,241	201,241	-
Water - Depreciation	37,400	79,720	13,049	104,071
Water - Meter Fund	62,187	21,427	14,727	68,887
Water - BoNY Debt Reserve	1,956	81,586	77,665	5,877
Water - BoNY Bond & Int	8,208	19,738	8,051	19,895
Water - Watertower Replcm	112,180	152,236	-	264,416
Water - Debt Reserve	77,665	-	77,665	-
Water - SRF Drawdown	-	346,031	346,031	-
City Court	19,905	62,275	67,678	14,502
Totals	\$ 3,784,835	\$ 8,734,807	\$ 8,393,729	\$ 4,125,913

The notes to the financial statement(s) are an integral part of this statement.

CITY OF UNION CITY
RANDOLPH COUNTY
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF UNION CITY
RANDOLPH COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF UNION CITY
RANDOLPH COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF UNION CITY
RANDOLPH COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan(s)

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CITY OF UNION CITY
RANDOLPH COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF UNION CITY
RANDOLPH COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Subsequent Events

The City obtained two Community Development Block Grants for the water tower and stormwater system improvements. The grant award amounts totaled \$836,000 and \$906,123 respectively. The City had disbursed \$50,650 and \$260,936 respectively for the grant funded projects for the period January 1, 2011 to June 30, 2011.

The City paid the ambulance lease in full prior to maturity and purchased a new ambulance. The new ambulance was purchased with a trade in of the City's ambulance plus debt proceeds of \$98,000.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Union City's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund	City Court Cash Fund	EMT Training & Facilities	MVH	Local Road & Street	Park Non Reverting	Animal Shelter/Regist
Cash and investments - beginning	\$ 707,890	\$ 18,167	\$ -	\$ 174,720	\$ 12,393	\$ 18,559	\$ -
Receipts:							
Taxes	998,113	-	-	190,875	-	-	-
Licenses and permits	5	-	-	-	-	-	-
Intergovernmental	523,155	-	-	126,609	12,043	-	-
Charges for services	-	-	2,361	9,262	-	5,182	-
Fines and forfeits	9,723	2,456	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	58,189	2,362	-	58	-	3,966	1,907
Total receipts	<u>1,589,185</u>	<u>4,818</u>	<u>2,361</u>	<u>326,804</u>	<u>12,043</u>	<u>9,148</u>	<u>1,907</u>
Disbursements:							
Personal services	1,147,951	-	-	149,097	-	-	-
Supplies	111,443	20	-	43,789	-	7,472	585
Other services and charges	258,582	-	2,360	68,039	1,680	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	74,673	2,340	-	137,732	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,150	1,911	-	-	-	-	-
Total disbursements	<u>1,593,799</u>	<u>4,271</u>	<u>2,360</u>	<u>398,657</u>	<u>1,680</u>	<u>7,472</u>	<u>585</u>
Excess (deficiency) of receipts over disbursements	<u>(4,614)</u>	<u>547</u>	<u>1</u>	<u>(71,853)</u>	<u>10,363</u>	<u>1,676</u>	<u>1,322</u>
Cash and investments - ending	<u>\$ 703,276</u>	<u>\$ 18,714</u>	<u>\$ 1</u>	<u>\$ 102,867</u>	<u>\$ 22,756</u>	<u>\$ 20,235</u>	<u>\$ 1,322</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Housing Rehab Grant	LECEF	Clerk's Record Perp.	Riverboat Fund	Park & Recreation	Harry Loy, Jr. Donations	CEDIT-Program Income Svgs
Cash and investments - beginning	\$ -	\$ 4,027	\$ 3,730	\$ 63,525	\$ 9,980	\$ 14,199	\$ 627
Receipts:							
Taxes	-	-	-	-	62,965	-	-
Licenses and permits	-	570	-	-	-	-	-
Intergovernmental	53,650	-	-	22,667	5,063	-	16,000
Charges for services	-	350	-	-	13,137	-	-
Fines and forfeits	-	1,133	1,403	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	576	-	-	450	-	-
Total receipts	53,650	2,629	1,403	22,667	81,615	-	16,000
Disbursements:							
Personal services	-	-	-	-	36,439	-	-
Supplies	-	-	-	-	17,494	-	-
Other services and charges	-	-	-	-	23,334	3,580	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	53,650	50	-	-	1,335	-	16,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	496	13,704	-	-	627
Total disbursements	53,650	50	496	13,704	78,602	3,580	16,627
Excess (deficiency) of receipts over disbursements	-	2,579	907	8,963	3,013	(3,580)	(627)
Cash and investments - ending	\$ -	\$ 6,606	\$ 4,637	\$ 72,488	\$ 12,993	\$ 10,619	\$ -

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	DT Revitalization Project	Ambulance-Non Reverting	Rainy Day Fund	Police K9 Fund	CEDIT	Utilities
Cash and investments - beginning	\$ -	\$ 72,430	\$ 356,094	\$ 50	\$ 467,157	\$ 83,555
Receipts:						
Taxes	-	-	-	-	-	63,333
Licenses and permits	-	-	-	-	-	-
Intergovernmental	421,086	-	-	-	504,310	5,092
Charges for services	-	12,500	-	-	-	156,916
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	203,480	105,551	-	74,576	-
Total receipts	<u>421,086</u>	<u>215,980</u>	<u>105,551</u>	<u>-</u>	<u>578,886</u>	<u>225,341</u>
Disbursements:						
Personal services	-	80,177	-	-	-	-
Supplies	-	30,074	-	-	-	-
Other services and charges	-	21,619	-	-	9,393	251,785
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	385,768	42,028	107,918	-	513,119	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	258	-	-	-	-
Total disbursements	<u>385,768</u>	<u>174,156</u>	<u>107,918</u>	<u>-</u>	<u>522,512</u>	<u>251,785</u>
Excess (deficiency) of receipts over disbursements	<u>35,318</u>	<u>41,824</u>	<u>(2,367)</u>	<u>-</u>	<u>56,374</u>	<u>(26,444)</u>
Cash and investments - ending	<u>\$ 35,318</u>	<u>\$ 114,254</u>	<u>\$ 353,727</u>	<u>\$ 50</u>	<u>\$ 523,531</u>	<u>\$ 57,111</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Revolving Loan Fund	Operation Pullover	Drug Forfeiture	NSP Grant	Police Donations	CCI
Cash and investments - beginning	\$ 153,140	\$ 9	\$ 491	\$ -	\$ 1,033	\$ 35,701
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	4,432	-	480,306	-	10,605
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	617	-	-	-	3,307	-
Total receipts	<u>617</u>	<u>4,432</u>	<u>-</u>	<u>480,306</u>	<u>3,307</u>	<u>10,605</u>
Disbursements:						
Personal services	-	4,441	-	-	-	-
Supplies	-	-	491	-	-	-
Other services and charges	-	-	-	-	3,317	25,317
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	431,826	-	1,155
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>4,441</u>	<u>491</u>	<u>431,826</u>	<u>3,317</u>	<u>26,472</u>
Excess (deficiency) of receipts over disbursements	<u>617</u>	<u>(9)</u>	<u>(491)</u>	<u>48,480</u>	<u>(10)</u>	<u>(15,867)</u>
Cash and investments - ending	<u>\$ 153,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,480</u>	<u>\$ 1,023</u>	<u>\$ 19,834</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	CCD	CJ Equipment (LEBG)	Cemetery Non Reverting	Little Miss River Fund	Police Pension	Firemen's Pension
Cash and investments - beginning	\$ 63,381	\$ 176	\$ 138,088	\$ 1,454	\$ 56,059	\$ 43,356
Receipts:						
Taxes	12,714	-	-	-	3,776	7,184
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,022	-	-	-	36,124	33,544
Charges for services	-	-	5,900	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	1,980	-	-	-
Total receipts	<u>13,736</u>	<u>-</u>	<u>7,880</u>	<u>-</u>	<u>39,900</u>	<u>40,728</u>
Disbursements:						
Personal services	-	-	-	-	3,380	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	36,038	32,431
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	29,946	-	-	1,454	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>29,946</u>	<u>-</u>	<u>-</u>	<u>1,454</u>	<u>39,418</u>	<u>32,431</u>
Excess (deficiency) of receipts over disbursements	<u>(16,210)</u>	<u>-</u>	<u>7,880</u>	<u>(1,454)</u>	<u>482</u>	<u>8,297</u>
Cash and investments - ending	<u>\$ 47,171</u>	<u>\$ 176</u>	<u>\$ 145,968</u>	<u>\$ -</u>	<u>\$ 56,541</u>	<u>\$ 51,653</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll - Net Payroll	Payroll - Deferred Comp.	Payroll - Pre-Paid Legal	Payroll - PERF	Payroll - Federal W/H	Payroll - State W/H
Cash and investments - beginning	\$ -	\$ -	\$ 292	\$ 4,835	\$ -	\$ 3,917
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>1,043,567</u>	<u>1,300</u>	<u>3,074</u>	<u>16,158</u>	<u>105,312</u>	<u>46,612</u>
Total receipts	<u>1,043,567</u>	<u>1,300</u>	<u>3,074</u>	<u>16,158</u>	<u>105,312</u>	<u>46,612</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>1,043,567</u>	<u>1,300</u>	<u>3,366</u>	<u>16,906</u>	<u>105,312</u>	<u>46,870</u>
Total disbursements	<u>1,043,567</u>	<u>1,300</u>	<u>3,366</u>	<u>16,906</u>	<u>105,312</u>	<u>46,870</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>(292)</u>	<u>(748)</u>	<u>-</u>	<u>(258)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,087</u>	<u>\$ -</u>	<u>\$ 3,659</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll - Social Security	Payroll - Cagit W/H	Payroll - Credit Union	Payroll - P&F Ins Assn	Payroll - Health Ins.	Payroll - Dental & Vision
Cash and investments - beginning	\$ -	\$ 1,527	\$ -	\$ 19	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>89,917</u>	<u>18,487</u>	<u>3,700</u>	<u>7,351</u>	<u>28,995</u>	<u>11,841</u>
Total receipts	<u>89,917</u>	<u>18,487</u>	<u>3,700</u>	<u>7,351</u>	<u>28,995</u>	<u>11,841</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	<u>89,917</u>	<u>18,590</u>	<u>3,700</u>	<u>7,370</u>	<u>28,995</u>	<u>11,841</u>
Total disbursements	<u>89,917</u>	<u>18,590</u>	<u>3,700</u>	<u>7,370</u>	<u>28,995</u>	<u>11,841</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(103)</u>	<u>-</u>	<u>(19)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll - Colonial Ins.	Payroll - American Life	Payroll - Medicare	Payroll - Miscellaneous	Payroll - Police Pen '77	Payroll - Fire Pen '77
Cash and investments - beginning	\$ 16	\$ 49	\$ -	\$ -	\$ 3,472	\$ 4,288
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	192	407	37,196	9,299	14,978	17,007
Total receipts	<u>192</u>	<u>407</u>	<u>37,196</u>	<u>9,299</u>	<u>14,978</u>	<u>17,007</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	192	407	37,196	9,299	14,775	17,009
Total disbursements	<u>192</u>	<u>407</u>	<u>37,196</u>	<u>9,299</u>	<u>14,775</u>	<u>17,009</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	203	(2)
Cash and investments - ending	<u>\$ 16</u>	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,675</u>	<u>\$ 4,286</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cemetery	Sewage - Operating Fund	Sewage - Bond & Interest	Sewage - Depreciation	Sewage - BoNY Debt Res	Sewage - BoNY Bond & Int
Cash and investments - beginning	\$ 36,632	\$ 109,870	\$ -	\$ 357,601	\$ 274,759	\$ 66,713
Receipts:						
Taxes	8,798	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	707	-	-	-	-	-
Charges for services	17,445	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	804,099	-	-	-	-
Other receipts	900	23,248	228,198	123,802	10,236	51,609
Total receipts	<u>27,850</u>	<u>827,347</u>	<u>228,198</u>	<u>123,802</u>	<u>10,236</u>	<u>51,609</u>
Disbursements:						
Personal services	22,477	-	-	-	-	-
Supplies	2,988	-	-	-	-	-
Other services and charges	2,432	-	-	-	-	-
Debt service - principal and interest	-	-	228,198	-	-	49,236
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	426,681	-	-	-	-
Other disbursements	-	413,788	-	-	-	-
Total disbursements	<u>27,897</u>	<u>840,469</u>	<u>228,198</u>	<u>-</u>	<u>-</u>	<u>49,236</u>
Excess (deficiency) of receipts over disbursements	<u>(47)</u>	<u>(13,122)</u>	<u>-</u>	<u>123,802</u>	<u>10,236</u>	<u>2,373</u>
Cash and investments - ending	<u>\$ 36,585</u>	<u>\$ 96,748</u>	<u>\$ -</u>	<u>\$ 481,403</u>	<u>\$ 284,995</u>	<u>\$ 69,086</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Sewage - SRF Drawdown	Water - Operating Fund	Water - B & I Fund	Water - Depreciation	Water - Meter Fund	Water BoNY Debt Reserve
Cash and investments - beginning	\$ -	\$ 101,353	\$ -	\$ 37,400	\$ 62,187	\$ 1,956
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	739,324	-	-	-	-
Other receipts	5,722	28,487	201,241	79,720	21,427	81,586
Total receipts	5,722	767,811	201,241	79,720	21,427	81,586
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	201,241	-	-	-
Capital outlay	5,722	31,914	-	13,049	-	-
Utility operating expenses	-	431,074	-	-	14,727	77,665
Other disbursements	-	329,032	-	-	-	-
Total disbursements	5,722	792,020	201,241	13,049	14,727	77,665
Excess (deficiency) of receipts over disbursements	-	(24,209)	-	66,671	6,700	3,921
Cash and investments - ending	\$ -	\$ 77,144	\$ -	\$ 104,071	\$ 68,887	\$ 5,877

CITY OF UNION CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water - BoNY Bond & Int	Water - Wartower Replcm	Water - Debt Reserve	Water SRF Drawdown	City Court	Totals
Cash and investments - beginning	\$ 8,208	\$ 112,180	\$ 77,665	\$ -	\$ 19,905	\$ 3,784,835
Receipts:						
Taxes	-	-	-	-	-	1,347,758
Licenses and permits	-	-	-	-	-	575
Intergovernmental	-	-	-	-	-	2,256,415
Charges for services	-	62,400	-	-	-	285,453
Fines and forfeits	-	-	-	-	-	14,715
Utility fees	-	-	-	-	-	1,543,423
Other receipts	19,738	89,836	-	346,031	62,275	3,286,468
Total receipts	19,738	152,236	-	346,031	62,275	8,734,807
Disbursements:						
Personal services	-	-	-	-	-	1,443,962
Supplies	-	-	-	-	-	214,356
Other services and charges	-	-	-	-	-	739,907
Debt service - principal and interest	6,853	-	-	-	-	485,528
Capital outlay	-	-	-	346,031	-	2,195,710
Utility operating expenses	1,198	-	-	-	-	951,345
Other disbursements	-	-	77,665	-	67,678	2,362,921
Total disbursements	8,051	-	77,665	346,031	67,678	8,393,729
Excess (deficiency) of receipts over disbursements	11,687	152,236	(77,665)	-	(5,403)	341,078
Cash and investments - ending	\$ 19,895	\$ 264,416	\$ -	\$ -	\$ 14,502	\$ 4,125,913

CITY OF UNION CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current and prior years have been reported. There are no plans for retroactive reporting of general infrastructure assets.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,237,781
Infrastructure	302,957
Buildings	1,426,014
Improvements other than buildings	436,300
Machinery and equipment	1,946,672
Construction Work in Progress	<u>423,597</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 5,773,321</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 132,712
Buildings	678,446
Improvements other than buildings	2,142,831
Machinery and equipment	<u>1,712,901</u>
Total Water Utility capital assets	<u>4,666,890</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	60,335
Buildings	865,330
Improvements other than buildings	12,367,947
Machinery and equipment	<u>600,148</u>
Total Wastewater Utility capital assets	<u>13,893,760</u>
Total business-type activities capital assets	<u>\$ 18,560,650</u>

CITY OF UNION CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2006 Ambulance (lease)	\$ 33,075	\$ 23,012
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Filters	275,000	20,082
Loans:		
CEDIT Fund	123,000	**
Total Water Utility	398,000	20,082
Wastewater Utility:		
Revenue bonds:		
Improvements	1,300,000	225,517
Collection System Repair	1,665,793	49,253
Total Wastewater Utility	2,965,793	274,770
Total business-type activities debt	\$ 3,363,793	\$ 294,852

** - Loan received from CEDIT fund is to be repaid by December 31, 2011. Interest is computed at the time each payment is made.

CITY OF UNION CITY
AUDIT RESULT(S) AND COMMENT(S)

ANNUAL REPORT

The Annual Report contained material errors. The Annual Report did not include transactions of the Cemetery, EMS Training and Facilities Funds and the City Court. Also, not all disbursements for the Water - SRF Drawdowns were reflected in the Annual Report or in the records.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

SALE OF PROPERTY

The City (landlord) leased a building, which was originally purchased for \$250,000, to a tenant in August 2003. The Real Estate Lease agreement required the tenant to pay monthly rent payments in the amount of \$2,000 per month, which would apply toward purchase of the building, and had a lease term of August 1, 2003 to August 27, 2008. A security deposit of \$2,000 was required. The tenant had the right to extend the lease for an additional five years by notifying the landlord in writing before the expiration of the initial 5-year term. The same terms and conditions and rent applied to the second 5-year term with the exception that only 95 percent of the rent paid under the second 5-year term apply toward purchase of the building as provided under the Real Estate Option Agreement.

The Real Estate Option Agreement indicated the option to purchase the property expired August 27, 2008. The purchase price for the real estate was \$250,000 with 100 percent of all rental payments made through August 27, 2008, and 95 percent of all rental payments made after August 27, 2008, to be credited against the purchase price.

The tenant made monthly payments of \$2,000 for the period October 2003 through September 2010 which totaled \$168,000. No contract was established for the lease payments received from August 28, 2008 to September 13, 2010. Security deposits totaling \$2,000 were paid during the period October 2003 to January 2004.

The City sold the property to the tenant on March 18, 2011, for \$30,000. No appraisals were obtained.

The following schedule details the purchase price per the Real Estate Option Agreement, lease payments made and actual purchase price:

Total Purchase Price per Real Estate Option Agreement	\$ 250,000
Less: Lease Payments Through Ending Lease Date	(114,000)
Less: 95% of Lease Payments After Ending Lease Date	<u>(51,300)</u>
 Total Unpaid	 84,700
Actual Purchase Price	<u>(30,000)</u>
 Difference	 <u>\$ 54,700</u>

CITY OF UNION CITY
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-1-10-11(b) states:

"The leasing agent may sell land or a structure owned by the political subdivision or agency to the lessor under the following procedure if the political subdivision wants to lease a structure proposed to be built, acquired, improved, remodeled, or expanded on that land:

- (1) The leasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure.
- (2) The appraisers must be professionally engaged in making appraisals or licensed under IC 25-34.1.
- (3) The appraisers shall return their appraisal to the leasing agent within two (2) weeks after the date of their appointment.
- (4) The leasing agent shall sell the land or structure for not less than the appraised value. However, if the political subdivision or agency acquired the land or structure during the three (3) years preceding the date of the appointment of the appraisers, the land or structure may not be sold for an amount less than the amount paid by the political subdivision or agency for the land or structure.
- (5) The leasing agent shall be paid in cash upon the agent's delivery of the deed.
- (6) The leasing agent is not required to comply with any other law relating to the sale of land or structures by a political subdivision."

TRUST REGISTER - CITY COURT

As reported in prior Reports B25983, B31029, B32632, and B73198 and during the current audit period, there were no trust registers for cash bonds or restitution. We also noted cash bonds held for over five years that had not been remitted to the Attorney General as unclaimed property.

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or the State Court Administration office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

Indiana Code 32-34-1-20(c)(6) states: "For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under Indiana Code 32-34-3."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Union City (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2010. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Official Response. We did not audit the City's response and, accordingly, express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works and Safety, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 28, 2011

CITY OF UNION CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority CDBG - State - Administered Small Cities Program Cluster Community Development Block Grants/States Program	14.228	NSP1-009-027	\$ 431,826
Pass-Through Office of Community and Rural Affairs CDBG - State - Administered Small Cities Program Cluster Community Development Block Grants/States Program	14.228	CF-09-220 FR2-09-001 DR1A-09-001	385,768 16,000 <u>12,986</u>
Total for cluster			<u>846,580</u>
Pass-Through Indiana Housing and Community Development Authority Home Investment Partnerships Program	14.239	HM-009-004	<u>53,650</u>
Total for federal grantor agency			<u>900,230</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through City of Winchester Highway Safety Cluster State and Community Highway Safety	20.600	032NHTSA4022011	<u>4,441</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW0558681 DW09186801	2,289 146,515
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458	DW09186801	<u>79,806</u>
Total for federal grantor agency			<u>228,610</u>
Total federal awards expended			<u>\$ 1,133,281</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF UNION CITY
RANDOLPH COUNTY
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Union City (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF UNION CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
CDBG – State - Administered Small Cities Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF UNION CITY
RANDOLPH COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF UNION CITY
EXIT CONFERENCE

The contents of this report were discussed on July 28, 2011, with Anita M. Amspaugh, Clerk-Treasurer; Bryan Conklin, Mayor; Monte Poling, City Manager; and Tim Heuss, President of the Common Council. The Official Response has been made a part of this report and may be found on page 39.

August 2, 2011

Mr. Bruce Hartman, CPA, State Auditor
Indiana State Board of Accounts
302 W. Washington
Indianapolis, IN 46204

Dear Mr. Hartman:

The Indiana State Board of Accounts recently presented their audit results and comments for the City of Union City and we would like to take this opportunity to respond to their findings by outlining the course of action we will follow to resolve the issues raised by the examiners:

- Annual Report:

Finding:

The audit noted that the annual report for City of Union City contained material errors. The annual report did not include transactions of the Cemetery, EMS Training and Facilities fund and the City Court. Also not all disbursements for the Water-SRF Drawdowns were reflected in the annual report or in the records.

Response:

The Clerk-Treasurer realizes the importance of submitting an error-free annual report. The funds that were omitted from the annual report were coded incorrectly by the C-T in the Keystone budget system used by the City causing errors in the annual report uploaded to the SBOA annual report program. In addition, the C-T has never been informed that the City Court financials were to be included in the annual report until this audit. In the future, the Clerk-Treasurer will be more cognizant of the requirements related to the annual report and make sure that all coding is correct before submission to SBOA.

- Sale of Property:

Finding:

The audit noted that a City owned property that was being leased was sold to the lessee without proper appraisal procedures.

Response:

The City realizes the importance of following Indiana Code when disposing of real property. In the future, the City will follow the proper procedures set out by Indiana Code as it relates to the sale of real property.

Respectfully,

Anita Amspaugh
Clerk-Treasurer

Bryan Conklin
Mayor

Anita Amspaugh
Clerk/Treasurer

Ron Holt, Jr.
Greg Harshman
Jim Hufford
Tim Heuss
Chad Spence
Council Members

Cobie Wells
Chief of Police

Tim Crawford
Fire Chief

Ryan Prinkey
City Attorney

Monte Poling
City Manager

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