

City of Uhrichsville

Audited Financial Statements

December 31, 2004



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
City of Uhrichsville
Uhrichsville, Ohio

We have reviewed the *Independent Auditor's Report* of the City of Uhrichsville, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 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.

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 City of Uhrichsville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 14, 2006

This Page is Intentionally Left Blank.

**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

DECEMBER 31, 2004

Table of Contents

	<i>Page</i>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	16
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Street Fund	17
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – CHIS and CHIP Grant Fund	18
Notes to the Basic Financial Statements	19-39
Independent Auditor's 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	40-41
Schedule of Findings	42

This Page is Intentionally Left Blank.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

October 19, 2005

Mayor and Members of Council
City of Uhrichsville
Uhrichsville, OH 44663

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Uhrichsville (the "City"), Tuscarawas County, Ohio as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Uhrichsville, Ohio as of December 31, 2004, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, Street Fund, and CHIS and CHIP Grant Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the City of Uhrichsville implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we also have issued our report dated October 19, 2005 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 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 or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

City of Uhrichsville
Independent Accountants' Report
October 19, 2005
Page 2

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Hea & Associates, Inc.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The discussion and analysis for the City of Uhrichsville's financial statements provides an overall review of the financial activity of the City for the twelve months ended December 31, 2004. The intent of this discussion is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding regarding the City's financial performance, one should also review the basic financial statements.

Financial Highlights

Financial Highlights for 2004 are as follows:

- All funds ended the year with a positive balance for 2004. This is a first since 1998. The Streets would have ended the year with a negative balance had the City not transferred monies from the General fund to the Street fund in order to end the year with a positive balance. The Finance Committee continues to monitor all funds in order to keep the City out of future fiscal emergencies.
- Total net assets increased \$834,085 or a 23.3 percent increase over 2003.
- Total assets of governmental activities increased \$526,198, which represents a 10.7 percent increase over 2003.
- Total liabilities increased by \$167,709, which represents a 19.1 percent increase over 2003.
- Total invested in capital assets, net of debt increased \$86,141, an increase of 5.3 percent from 2003.

Using this Annual Financial Report

As an introduction to the City of Uhrichsville's financial status this annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Uhrichsville as a whole or as an entire operating entity. The statements also provide a detailed look at specific financial activities of individual major funds.

The Statement of Net Assets and Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2004 and how they affected the City of Uhrichsville's operations. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other nonmajor funds presented in total in one column.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Reporting the City of Uhrichsville as a Whole

Statement of Net Assets and the Statement of Activities

This financial view of the City as a whole considers all transactions and answers the question of how the City of Uhrichsville performed financially during 2004. The Statement of Net Assets and the Statement of Activities provide summary information concerning the financial position and operations of the City as an entity, as well as the overall evaluation of the City's financial status. These statements include all non-fiduciary assets and all liabilities using the accrual basis of accounting. This method takes into account all revenues when they are earned and all expenses when they are incurred. Transactions are booked when they occur and not when actual cash is received for revenues or when invoices are paid for expenses.

These two statements report the City's net assets and any changes in those net assets, which is an important method to use to inform the reader whether the financial position of the City is improving or deteriorating. To evaluate the overall position of the City, particular items must be taken into consideration. These items include the current economic situation as a whole, the current tax base for the City and the age and condition of City buildings and infrastructure.

The Statement of Net Assets and the Statement of Activities for the City of Uhrichsville are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning of Year and Year's End

Reporting the City of Uhrichsville's Most Significant Funds

Fund Financial Statements

The presentation of the City's major funds begins on Page 12. Fund financial reports give detailed information of activities within these funds. The City currently has several funds, which have been established to account for the multitude of services provided to residents, for employee health care and the operation of facilities, as well as for infrastructure and capital purchases. These fund financial statements focus on the City's four major funds: the General Fund, the Street Fund, the CHIS and CHIP Grant Fund, and the Capital Improvement Fund.

Governmental Funds – All of the City's activities are reported in the governmental funds, which focus on cash flows and year-end balances available for future spending. The accounting method used to report this activity is the modified accrual method, which measures cash and all other financial assets that can be converted into cash. Here noted is the level of financial resources for services the City intends to provide in the near future. These services include fire and safety protection, as well as maintaining and improving streets and roads, storm sewers, parks and other facilities. The relationship between governmental activities (reported in the Statement of Net

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Assets and the Statement of Activities) and the governmental funds is reconciled in the financial statements.

The City of Uhrichsville as a Whole

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2004 as they compare to 2003.

Table 1
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$3,693,016	\$3,205,359
Capital Assets, Net	1,762,559	1,724,018
<i>Total Assets</i>	<i>5,455,575</i>	<i>4,929,377</i>
Liabilities		
Current Liabilities	574,896	378,103
Long-Term Liabilities:		
Due Within One Year	14,971	44,609
Due in More Than One Year	457,761	457,207
<i>Total Liabilities</i>	<i>1,047,628</i>	<i>879,919</i>
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,715,059	1,628,918
Restricted for:		
Capital Projects	1,203,436	1,349,768
Other Purposes	750,182	435,046
Unrestricted	739,270	160,130
<i>Total Net Assets</i>	<i>\$4,407,947</i>	<i>\$3,573,862</i>

Total assets increased in 2004 by \$526,198. Total liabilities increased by \$167,709. The increase in assets is reflected primarily in the current and other assets where the increase was \$487,657. The increase in total liabilities is due to increases in deferred revenue because of increased intergovernmental receivables. Total net assets increased by \$834,085.

Table 2 shows the changes in net assets for the year ended December 31, 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the year 2003 are not available. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2
Change in Net Assets

	Governmental Activities 2004
Revenues	
Program Revenues:	
Charges for Services	\$130,495
Operating Grants and Contributions	589,368
Capital Grants and Contributions	27,316
Total Program Revenues	747,179
General Revenues:	
Property Taxes	476,604
Income Taxes	1,416,369
Grants and Entitlements	568,340
Investment Earnings	14,124
Miscellaneous	30,036
Total General Revenues	2,505,473
Total Revenues	3,252,652
Program Expenses	
General Government	766,917
Security of Persons and Property	1,176,580
Transportation	173,694
Public Health Services	5,142
Community Development	245,267
Leisure Time Activities	39,305
Interest and Fiscal Charges	11,662
Total Program Expenses	2,418,567
Change in Net Assets	834,085
Net Assets Beginning of Year	3,573,862
Net Assets End of Year	\$4,407,947

Governmental Activities

Several revenue sources fund governmental activities with the City of Uhrichsville's municipal income tax being the largest contributor. The income tax rate for the City is 1.75 percent. The City allows a 100 percent credit of taxes paid to other municipalities, up to 1.75 percent of income. The tax amount is credited to the general fund and capital projects fund. On a full accrual basis, the City received income tax revenues of \$1,416,369, in 2004.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Security of persons and property represents the largest expense of the governmental activities. This expense of \$1,176,580 represents 48.6 percent of the total expenses. The police department is a full time, 24 hour a day, 365 days a year department with 7 officers and a full time Chief. The fire department is also full time and includes 5 officers and a full time Chief.

General Government represents 31.7 percent of governmental expenses. These expenses consist of all elected officials and their appointed staff. Also included are the associated benefits for these employees along with various other costs of running the City operations.

Our Street Maintenance and Repair and Traffic Department employs 3 workers and one foreman who provide the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping, and alley profiling. This area had expenses of \$173,694 in 2004.

The City's Funds

Information about the City's governmental funds begins on page 12. These funds are accounted for by using the modified accrual method of accounting. All governmental funds had total revenues of \$2,903,364 and expenditures of \$2,484,432. The City's General Fund reflected an increase in fund balance of \$542,501. The Capital Improvement Fund had a fund balance of \$1,022,975.

General Fund Budgeting Highlights

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. Our budget is adopted at the fund, function, and object level. Any budgetary modifications at that level may only be made by Council action. The general fund had final appropriations \$1,552,050; original appropriations were \$1,460,950. The actual revenue was \$236,757 less than the final budget. The actual expenditures were \$53,397 less than the final budget. For 2004, there were no material changes in the original and final budgets.

All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Strong emphasis is placed on fund balances. The City Auditor reviews fund balances on a daily basis. Special attention is paid to the operating funds, which are the general, sewer and water funds. Council also receives a monthly report showing beginning fund balance for all funds at the beginning of the year, the change in the balance thus far year to date, and the current fund balance.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Capital Assets

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$545,721	\$545,721
Buildings and Improvements	146,665	151,781
Equipment	513,524	504,166
Vehicles	437,599	522,350
Roads	119,050	0
Totals	\$1,762,559	\$1,724,018

Total Capital Assets for the City of Uhrichsville as of December 31, 2004 amounted to \$1,762,559, which was an increase of \$38,541 from 2003. Additions for the year of \$168,757 exceeded the depreciation of \$107,407 in 2004. For more information about the City's capital assets, see Note 7 in basic financial statements.

Debt

As of December 31, 2004, the City of Uhrichsville had \$373,408 in outstanding debt.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2004	2003
Notes Payable	\$47,500	\$95,100
Police and Fire Pension	325,908	331,072
Totals	\$373,408	\$426,172

In 2003, the City issued notes to purchase a fire rescue vehicle totaling \$95,100. As of December 31, 2004 the City has a liability of \$47,500 for these notes.

The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2004, the unfunded liability of the City was \$325,908 payable in semiannual payments through the year 2035.

The City's overall legal debt margin was \$5,102,892, as of December 31, 2004. A thorough discussion of the debt can be found in Notes 8 and 9 in the notes to the basic financial statements.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Current Financial Related Issues

The City of Uhrichsville's financial situation has remained stationary from 2003 to 2004. The City will fund four major projects with the Capital Improvement fund. The Capital Improvement fund has accumulated a balance from income tax collections over the years.

Our current Service Garage is in need of major repair. Council is inquiring into vacated buildings or land on which to build a new garage. Council has already set aside \$100,000 for this project.

While opening the City's swimming pool for the summer, several problems were discovered with the swimming pool and bathhouse. The City was unable to open the facilities for use during 2005. Repairs to both facilities will take place in order to reopen for the summer of 2006.

The Environmental Protection Agency has mandated that the City separate storm sewers from the sanitary sewer lines. Council has created a Storm Sewer District that encompasses the entire City. The City Council acts as the governing board of the Storm Sewer District and makes all decisions concerning the storm sewers. The City has assessed property owners for the project cost and construction on the Newport Avenue project will begin in the fall of 2005.

Contacting the City of Uhrichsville's Finance Department

The intent of this financial report is to provide Uhrichsville citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the public funds it receives, spends, and invests. If you have any questions about this report or need additional financial information, contact the City Auditor, Joanne Dunlap, at the City of Uhrichsville, 1349 East 2nd Street, Uhrichsville, Ohio 44683, (740) 922-9344.

City of Uhrichsville, Ohio

Statement of Net Assets

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,828,774
Materials and Supplies Inventory	8,803
Accrued Interest Receivable	1,386
Accounts Receivable	31,997
Intergovernmental Receivable	832,865
Income Tax Receivable	499,167
Property Taxes Receivable	490,024
Nondepreciable Capital Assets	545,721
Depreciable Capital Assets, Net	<u>1,216,838</u>
<i>Total Assets</i>	<u>5,455,575</u>
Liabilities	
Accounts Payable	11,261
Accrued Wages	1,971
Intergovernmental Payable	60,259
Notes Payable	47,500
Accrued Interest Payable	5,901
Deferred Revenue	448,004
Long-Term Liabilities:	
Due Within One Year	14,971
Due In More Than One Year	<u>457,761</u>
<i>Total Liabilities</i>	<u>1,047,628</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,715,059
Restricted for:	
Capital Projects	1,203,436
Other Purposes	750,182
Unrestricted	<u>739,270</u>
<i>Total Net Assets</i>	<u><u>\$4,407,947</u></u>

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
Statement of Activities
For the Year Ended December 31, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
General Government	\$766,917	\$116,950	\$0	\$0	(\$649,967)
Security of Persons and Property	1,176,580	1,631	28,048	27,316	(1,119,585)
Transportation	173,694	0	195,163	0	21,469
Public Health Services	5,142	0	0	0	(5,142)
Community Development	245,267	0	361,789	0	116,522
Leisure Time Activities	39,305	11,914	4,368	0	(23,023)
Interest and Fiscal Charges	11,662	0	0	0	(11,662)
Total	\$2,418,567	\$130,495	\$589,368	\$27,316	(1,671,388)

General Revenues

Property Taxes Levied for:	
General Purposes	288,736
Law Enforcement	14,240
Fire Protection	79,302
Capital Projects	94,326
Income Tax Levied for:	
General Purposes	1,309,405
Capital Outlay	106,964
Grants and Entitlements not Restricted to Specific Programs	568,340
Interest	14,124
Other	30,036
Total General Revenues	2,505,473
Change in Net Assets	834,085
Net Assets Beginning of Year - See Note 3	3,573,862
Net Assets End of Year	\$4,407,947

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio

Balance Sheet

Governmental Funds

December 31, 2004

	General	Street	CHIS and CHIP Grant	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and						
Cash Equivalents	\$602,947	\$3,210	\$41,035	\$1,022,975	\$158,607	\$1,828,774
Materials and Supplies Inventory	4,134	4,669	0	0	0	8,803
Accrued Interest Receivable	1,386	0	0	0	0	1,386
Accounts Receivable	31,647	350	0	0	0	31,997
Intergovernmental Receivable	182,350	111,082	524,892	0	14,541	832,865
Income Taxes Receivable	392,203	0	0	106,964	0	499,167
Property Taxes Receivable	276,281	0	0	0	213,743	490,024
<i>Total Assets</i>	<u>\$1,490,948</u>	<u>\$119,311</u>	<u>\$565,927</u>	<u>\$1,129,939</u>	<u>\$386,891</u>	<u>\$3,693,016</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$5,547	\$5,189	\$0	\$0	\$525	\$11,261
Accrued Wages	378	1,593	0	0	0	1,971
Intergovernmental Payable	54,308	5,951	0	0	0	60,259
Accrued Interest Payable	0	0	0	0	1,796	1,796
Deferred Revenue	531,379	72,951	487,500	106,964	228,008	1,426,802
Notes Payable	0	0	0	0	47,500	47,500
<i>Total Liabilities</i>	<u>591,612</u>	<u>85,684</u>	<u>487,500</u>	<u>106,964</u>	<u>277,829</u>	<u>1,549,589</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	899,336	0	0	0	0	899,336
Special Revenue Funds	0	33,627	78,427	0	88,233	200,287
Capital Projects Funds	0	0	0	1,022,975	20,829	1,043,804
<i>Total Fund Balances</i>	<u>899,336</u>	<u>33,627</u>	<u>78,427</u>	<u>1,022,975</u>	<u>109,062</u>	<u>2,143,427</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,490,948</u>	<u>\$119,311</u>	<u>\$565,927</u>	<u>\$1,129,939</u>	<u>\$386,891</u>	<u>\$3,693,016</u>

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2004*

Total Governmental Fund Balances	\$2,143,427
---	--------------------

*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,762,559
--	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	26,596
Income Taxes	242,235
Grants	709,967

Total	978,798
-------	---------

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(4,105)
---	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(146,824)
Fire and Police Pension	(325,908)

Total	(472,732)
-------	-----------

<i>Net Assets of Governmental Activities</i>	<u><u>\$4,407,947</u></u>
--	---------------------------

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Street	CHIS and CHIP Grant	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$269,966	\$0	\$0	\$0	\$214,973	\$484,939
Income Taxes	1,307,121	0	0	0	0	1,307,121
Charges for Services	22,784	0	0	0	16,610	23,077
Licenses and Permits	70,658	0	0	0	11,914	82,572
Fines and Forfeitures	20,018	0	0	0	1,338	21,356
Intergovernmental	341,779	227,327	286,262	0	61,045	916,413
Rentals	3,490	0	0	0	0	3,490
Interest	14,124	0	0	0	0	14,124
Contributions and Donations	0	0	0	0	3,919	20,236
Other	28,944	751	0	0	341	30,036
<i>Total Revenues</i>	<u>2,078,884</u>	<u>228,078</u>	<u>286,262</u>	<u>0</u>	<u>310,140</u>	<u>2,903,364</u>
Expenditures						
Current:						
General Government	492,306	0	0	0	0	492,306
Security of Persons and Property	975,903	0	0	0	106,248	1,082,151
Transportation	0	277,365	0	0	0	277,365
Public Health Services	5,142	0	0	0	0	5,142
Community Development	0	0	245,267	0	0	245,267
Leisure Time Activities	0	0	0	0	37,558	37,558
Capital Outlay	0	0	0	266,941	64,388	331,329
Debt Service:						
Principal Retirement	3,412	0	0	0	0	3,412
Interest and Fiscal Charges	7,035	0	0	0	2,867	9,902
<i>Total Expenditures</i>	<u>1,483,798</u>	<u>277,365</u>	<u>245,267</u>	<u>266,941</u>	<u>211,061</u>	<u>2,484,432</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>595,086</u>	<u>(49,287)</u>	<u>40,995</u>	<u>(266,941)</u>	<u>99,079</u>	<u>418,932</u>
Other Financing Sources (Uses)						
Transfers In	7,415	63,161	0	0	0	70,576
Transfers Out	(60,000)	0	(10,576)	0	0	(70,576)
<i>Total Other Financing Sources (Uses)</i>	<u>(52,585)</u>	<u>63,161</u>	<u>(10,576)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	542,501	13,874	30,419	(266,941)	99,079	418,932
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>356,835</u>	<u>19,753</u>	<u>48,008</u>	<u>1,289,916</u>	<u>9,983</u>	<u>1,724,495</u>
<i>Fund Balances End of Year</i>	<u><u>\$899,336</u></u>	<u><u>\$33,627</u></u>	<u><u>\$78,427</u></u>	<u><u>\$1,022,975</u></u>	<u><u>\$109,062</u></u>	<u><u>\$2,143,427</u></u>

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2004*

Net Change in Fund Balances - Total Governmental Funds \$418,932

*Amounts reported for governmental activities in the
statement of activities are different because*

Governmental funds report capital outlay as an expenditure.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Asset Additions	201,257	
Current Year Depreciation	(152,407)	
Total		48,850

Government Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (10,309)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(6,408)	
Income Taxes	109,248	
Grants	246,448	
Total		349,288

In the statement of activities, interest is accrued on police and fire pension liability, whereas in governmental funds, an interest expenditure is reported when due. (1,760)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		23,920
----------------------	--	--------

Repayment of police and fire pension principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 5,164

Change in Net Assets of Governmental Activities \$834,085

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$265,000	\$265,000	\$269,966	\$4,966
Income Taxes	1,185,717	1,324,382	1,194,428	(129,954)
Charges for Services	17,371	19,402	22,482	3,080
Licenses and Permits	37,290	41,650	37,147	(4,503)
Fines and Forfeitures	20,961	23,412	20,018	(3,394)
Intergovernmental	375,559	439,249	333,204	(106,045)
Rentals	4,053	4,527	3,490	(1,037)
Interest	16,213	18,109	15,094	(3,015)
Other	23,161	25,870	29,015	3,145
<i>Total Revenues</i>	<u>1,945,325</u>	<u>2,161,601</u>	<u>1,924,844</u>	<u>(236,757)</u>
Expenditures				
Current:				
General Government	487,800	515,509	485,915	29,594
Security of Persons and Property	967,550	1,030,945	1,007,596	23,349
Public Health Services	5,600	5,596	5,142	454
<i>Total Expenditures</i>	<u>1,460,950</u>	<u>1,552,050</u>	<u>1,498,653</u>	<u>53,397</u>
<i>Excess of Revenues Over Expenditures</i>	<u>484,375</u>	<u>609,551</u>	<u>426,191</u>	<u>(183,360)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	7,415	7,415
Transfers Out	(75,000)	(60,000)	(60,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(75,000)</u>	<u>(60,000)</u>	<u>(52,585)</u>	<u>7,415</u>
<i>Net Change in Fund Balance</i>	409,375	549,551	373,606	(175,945)
<i>Fund Balance Beginning of Year</i>	228,273	228,273	228,273	0
Prior Year Encumbrances Appropriated	1,068	1,068	1,068	0
<i>Fund Balance End of Year</i>	<u>\$638,716</u>	<u>\$778,892</u>	<u>\$602,947</u>	<u>(\$175,945)</u>

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Fund
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$198,000	\$202,454	\$220,698	\$18,244
Other	7,000	7,157	751	(6,406)
<i>Total Revenues</i>	205,000	209,611	221,449	11,838
Expenditures				
Current:				
Transportation	274,100	302,100	281,117	20,983
<i>Excess of Revenues Under Expenditures</i>	(69,100)	(92,489)	(59,668)	32,821
Other Financing Sources				
Transfers In	75,000	75,000	63,161	(11,839)
<i>Net Change in Fund Balance</i>	5,900	(17,489)	3,493	20,982
<i>Fund Balance (Deficit) Beginning of Year</i>	(1,283)	(1,283)	(1,283)	0
Prior Year Encumbrances Appropriated	1,000	1,000	1,000	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$5,617</u>	<u>(\$17,772)</u>	<u>\$3,210</u>	<u>\$20,982</u>

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIS and CHIP Grant Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$372,202	\$286,301	\$284,675	(\$1,626)
Expenditures				
Current:				
Community Development	360,000	303,100	245,267	57,833
<i>Excess of Revenues Over (Under) Expenditures</i>	12,202	(16,799)	39,408	56,207
Other Financing Uses				
Transfers Out	0	0	(10,576)	(10,576)
<i>Net Change in Fund Balance</i>	12,202	(16,799)	28,832	45,631
<i>Fund Balance Beginning of Year</i>	12,203	12,203	12,203	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$24,405</u>	<u>(\$4,596)</u>	<u>\$41,035</u>	<u>\$45,631</u>

The accompanying notes are an integral part of the basic financial statements

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 1 - Description of the City and Reporting Entity

The City of Uhrichsville (the "City") is located in Tuscarawas County, Ohio, approximately 40 miles southeast of the City of Canton and has a population of approximately 5,630. The City was incorporated as a Village on August 13, 1866, and began operating as a City on February 21, 1921. The City is a home rule municipal corporation regulated by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. The City operates as a statutory city with the decision making process being directed by an elected eight member City Council (Council) and Mayor.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Uhrichsville, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, and general administrative services. The City's departments include a public safety department, a street maintenance department, a park and recreation department, a planning and zoning department, and staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process. Sewer and water services are provided by the Twin City Water and Sewer District.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The City participates in the Community Improvement Corporation of Tuscarawas County, the Uhrichsville-Dennison-Mill Union Cemetery, the Tuscarawas County Tax Incentive Review Council, and the Twin City Water and Sewer District, which are defined as jointly governed organizations, and the Public Entities Pool of Ohio, which is a shared risk pool. These organizations are presented in Note 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City of Uhrichsville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless these pronouncements conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are all classified as governmental.

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Special Revenue Fund The streets fund accounts for grant monies received to pay for the expenditures related to the repair of City streets.

CHIS and CHIP Grant Special Revenue Fund The CHIS and CHIP grant fund accounts for monies received from the Ohio Regional Development for low income renovations and downpayments.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Capital Improvement Capital Projects Fund The Capital Improvement Capital Projects Fund accounts for revenue monies used for street construction in the City.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City of Uhrichsville invests in repurchase agreements which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2004 amounted to \$14,124 which includes \$9,467 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

G. Capital Assets

All capital assets of the City are classified as general capital assets. These assets generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

All capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Machinery and Equipment	5-10 years
Vehicles	5 years
Infrastructure	20 years

During 2004, the City reported general infrastructure assets for the first time which consists of roads. Only general infrastructure assets acquired or improved during 2004 have been reported, consistent with the requirements of GASB Statement No. 34

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination payments and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy. The City records a liability for all accumulated unused sick leave benefits time when earned for all employees with more than one year of service.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes are recognized as a liability on the governmental fund financial statements when due.

J. Fund Balance Reserves

Reserves represent those portions of fund equity not available for appropriation or legally segregated for a specific future use. Fund balance reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$1,953,618 of restricted net assets, of which \$80,149 is restricted by enabling legislation. Net assets restricted for other purposes include law enforcement and fire department operations

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

N. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund, function, and object level. Any budgetary modifications at this level may only be made by resolution of City Council.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Note 3– Change in Accounting Principles and Restatement of Fund Balance

For 2004, the City has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 41, “Budgetary Comparison Schedules – Perspective Differences”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the City’s legally adopted budget.

GASB Statement No. 46 clarifies how legal enforceability should be applied for restricted net assets.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Restatement of Fund Balance The new standards for reporting fund obligations for compensated absences in GASB Interpretation No. 6 caused changes in previously reported fund balances as did fund reclassifications based on the new guidance provided in GASB Statement No. 34. These restatements had the following effects on fund balance of the major and nonmajor funds of the City as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	General	Street	CHIS and CHIP Grant	Capital Improvement	Nonmajor	Total
Fund Balances,						
December 31, 2003	\$389,102	\$18,492	\$48,008	\$1,289,916	\$9,983	\$1,755,501
Adjustments	(32,267)	1,261	0	0	0	(31,006)
Restated Fund Balance						
December 31, 2003	<u>\$356,835</u>	<u>\$19,753</u>	<u>\$48,008</u>	<u>\$1,289,916</u>	<u>\$9,983</u>	<u>\$1,724,495</u>
GASB 34 Adjustments:						
Capital Assets						1,724,018
Accrued Interest						(2,345)
Long-Term Liabilities:						
Compensated Absences						(170,744)
Fire and Police Pension						(331,072)
Long-Term (Deferred) Assets						<u>629,510</u>
Governmental Activities Net Assets, December 31, 2003						<u><u>\$3,573,862</u></u>

Note 4 - Budgetary Basis of Accounting

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and major special revenue funds.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Net Change in Fund Balance
General and Major Special Revenue Funds

	General	Street	CHIS and CHIP Grant
GAAP Basis	\$542,501	\$13,874	\$30,419
Net Adjustment for Revenue Accruals	(154,041)	(6,629)	(1,587)
Net Adjustment for Expenditure Accruals	(14,854)	(3,752)	0
Budget Basis	\$373,606	\$3,493	\$28,832

Note 5 - Deposits and Investments

State statutes classify monies held by the City into three categories.

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposits maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies reported with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the City's deposits was \$1,828,774 and the bank balance was \$1,864,067. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$1,764,067 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City had no investments during the year 2004.

Note 6 - Receivables

Receivables at December 31, 2004, consisted of taxes, accounts (billings for user charged services), accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

A. Property Tax

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represent collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes which became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are at twenty-five percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2004, was \$9.58 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate Property	\$49,569,800
Public Utility Property	2,263,510
Tangible Personal Property	<u>5,923,270</u>
Total Assessed Value	<u><u>\$57,756,580</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Uhrichsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which became measurable as of December 31, 2004, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

B. Income Tax

The City levies a municipal income tax of 1.75 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to the full amount owed for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations are required to pay their estimated tax quarterly and file a declaration annually.

The City's income tax of 1.75 percent income tax is comprised of 1 percent credited to the general fund and .75 percent credited to the general fund for a period of six years beginning in January 1999. After the six year period, .75 percent will be equally distributed between the general fund and capital improvement capital projects fund.

Note 7 – Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance 12/31/2003	Additions	Deductions	Balance 12/31/2004
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$545,721	\$0	\$0	\$545,721
Capital Assets being depreciated:				
Buildings and Improvements	293,510	700	0	294,210
Equipment and Machinery	587,693	49,007	(21,961)	614,739
Vehicles	901,922	0	(45,000)	856,922
Infrastructure:				
Roads	0	119,050	0	119,050
Total Capital Assets being depreciated	<u>1,783,125</u>	<u>168,757</u>	<u>(66,961)</u>	<u>1,884,921</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(141,729)	(5,816)	0	(147,545)
Equipment and Machinery	(83,527)	(29,340)	11,652	(101,215)
Vehicles	(379,572)	(72,251)	32,500	(419,323)
Total Accumulated Depreciation	<u>(604,828)</u>	<u>(107,407) *</u>	<u>44,152</u>	<u>(668,083)</u>
Total Capital Assets being Depreciated, net	<u>1,178,297</u>	<u>61,350</u>	<u>(22,809)</u>	<u>1,216,838</u>
Governmental Activities Capital Assets, Net	<u>\$1,724,018</u>	<u>\$61,350</u>	<u>(\$22,809)</u>	<u>\$1,762,559</u>

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

* Depreciation expense was charged to governmental activities as follows:

General Government	\$7,019
Security of Persons and Property	73,573
Leisure Time Activites	2,447
Transportation	24,368
Total Depreciation Expense	\$107,407

Note 8 – Notes Payable

A summary of the City’s note activity for the year ended December 31, 2004, were as follows:

	Outstanding January 1, 2004	Issued	Retired	Outstanding December 31, 2004
<i>Capital Projects Fund:</i>				
\$47,600 (Maturity Date - 10/23/04) 3.3%	\$47,600	\$0	\$47,600	\$0
\$47,500 (Maturity Date - 10/23/05) 3.3%	47,500	0	0	47,500
<i>Total</i>	\$95,100	\$0	\$47,600	\$47,500

The notes were used to purchase a fire rescue vehicle for the City. The notes are backed by the full faith and credit of the City of Uhrichsville. The notes will be paid from property taxes received in the fire truck levy capital projects fund. The note liability is reflected in the fund which received the proceeds.

Note 9 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2004, were as follows:

	Outstanding 01/01/04	Additions	Deletions	Outstanding 12/31/04	Due Within 1 year
Compensated Absences	\$170,744	\$0	\$23,920	\$146,824	\$9,585
Police and Fire Pension	331,072	0	5,164	325,908	5,386
<i>Total General Long-Term Obligation</i>	\$501,816	\$0	\$29,084	\$472,732	\$14,971

Compensated absences will be paid from the general and street fund. The police and fire pension liability will be paid from taxes receipted in the general fund.

The City's overall legal debt margin was \$5,102,892 at December 31, 2004. The unvoted legal debt margin was \$57,757. Principal and interest requirements to retire the long-term debt obligation outstanding at December 31, 2004, are as follows:

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Year	Police and Fire Pension	Interest	Total
2005	\$5,386	\$13,795	\$19,181
2006	5,617	13,563	19,180
2007	5,859	13,321	19,180
2008	6,010	13,170	19,180
2009	6,374	12,806	19,180
2010-2014	36,211	59,689	95,900
2015-2019	44,674	51,226	95,900
2020-2024	58,025	37,875	95,900
2025-2029	68,039	27,861	95,900
2030-2034	83,962	11,938	95,900
2035	5,751	1,215	6,966
Total Outstanding	<u>\$325,908</u>	<u>\$256,459</u>	<u>\$582,367</u>

Note 10 - Risk Management

The City participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The City pays an annual premium of \$42,410 to the pool for various types of insurance coverage. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2004, the City purchased the following insurance coverage from the pool:

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Coverage	Limit
Appeal Bonds	Unlimited
Bail Bonds	Unlimited
Bonds to Release Property	Unlimited
Claim and Defense Expenses	Unlimited
Covered Pollution Cost or Expense for Automobiles	\$3,000,000
Employee Benefit Liability	1,000,000
Employment Expense	100,000
Good Samaritan	3,000,000
Injunctive Relief	25,000
Legal Liability for Third Party Claims	3,000,000
Automobile Liability	3,000,000
Law Enforcement Operations	3,000,000
Wrongful Acts	3,000,000
Medical Expenses - Automobile	5,000
Medical Expenses - Other than Automobile	5,000
Medical Malpractice	3,000,000
Member Expenses	10,000
Post-Judgement Interest	Unlimited
Pre-Judgement Interest	Unlimited
Stop Gap	3,000,000
Uninsured Motorists	1,000,000
Underinsured Motorists	1,000,000
Broad Legal Defense	5,000
Moral Obligation to Pay	2,500
Pollution Liability Benefits	
Chlorine	3,000,000
Fire Department Training Activities	500,000
Fire Departments	500,000
Anti-Skid Material Storage and Application	3,000,000
Sewer Backup	250,000
Underground Gasoline, Diesel and Fuel Oil	55,000

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

Note 11 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System (OPERS)

The City of Uhrichsville participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$30,253, \$22,235 and \$21,136, respectively; 74.9 percent has been contributed for 2004 and 100 percent for 2003 and 2002. There were no contributions made to member-directed plan for 2004.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$30,648 and \$42,605 for the year ended December 31, 2004, \$32,004 and \$44,846 for the year ended December 31, 2003 and \$31,747 and \$41,569 for the year ended December 31, 2002 equal to the required contributions for each year. The full amount has been contributed for 2003 and 2002. 73.96 percent and 73.71 percent, respectively, have been contributed for 2004.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2004, the unfunded liability of the City was \$325,908 payable in semiannual payments through the year 2035.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 to 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$12,672. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$21,109 for police and \$21,388 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

C. Social Security System

As of December 31, 2004, four of the Council members have elected to be covered by Social Security rather than OPERS. The Council's liability is 6.2 percent of wages paid.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn three to six weeks of vacation per year, depending on length of service. Union employees, except firefighters and police, may use accumulated vacation after the completion of one year of service with the City. Upon termination of service, an employee is entitled to receive payment for any unused vacation time plus accrued vacation time earned during the year but not yet credited to vacation leave balance.

Employees earn sick leave at a rate of 4.6 hours per eighty hours of service. Unused sick leave accumulates without limit. Upon retirement or death, non-union employees and police employees with five years of service but less than ten years of service can be paid one-fourth of the outstanding sick leave accumulated up to a maximum 45 days. Non-union employees and police employees with more than ten years of service can be paid one-half of the outstanding sick leave accumulated up a maximum 90 days. Upon retirement or

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

death, firefighters with five years of service but less than ten years of service can be paid one days pay for every four days of accumulated sick leave, not to exceed payment of 1,084 hours. Firefighters with more than ten years of service can be paid one days pay for every two days of accumulated sick leave, not to exceed payment of 2,160 hours. As of December 31, 2004, the liability for unpaid compensated absences was \$146,824.

B. Health Insurance

The City provides medical/surgical benefits to employees through Anthem. Prescription coverage from Anthem Insurance may be purchased by employees. Dental insurance is offered by Canadian Life. Vision insurance is offered by Vision Service Plan. The premiums vary with employee depending on the terms of their contracts.

C. Life and Accidental Death and Dismemberment Insurance

The City provides life insurance and accidental death and dismemberment insurance to all eligible full-time union firefighters of \$22,000 and \$18,000, respectively; to all eligible full-time union police employees of \$20,000 and \$20,000, respectively, and to all eligible full-time non-union employees of \$20,000 and \$20,000, respectively, through CU Life Insurance Company of America.

Note 14 - Contingencies

A. Litigation

The City is party to legal proceedings. However, in the opinion of management, any possible loss will not have a material effect on the overall financial position of the City.

B. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2004.

C. Receivable

The City was self-insured with Medical Benefits Administration as the third party administrator. In February 2001, the City discontinued the self insurance plan and Medical Benefits Administration continued to administer claims payments through September 2001. As of December 31, 2004, a reconciliation has not been completed to determine if a receivable is due to the City.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2004

Note 15 - Jointly Governed Organizations

A. Community Improvement Corporation of Tuscarawas County (Corporation)

The sole purpose of the Corporation is to advance, encourage and promote the industrial, economic, commercial and civic development of the area. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and fifteen elected trustees. The board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. During 2004, no monies were received from the City.

B. Uhrichsville-Dennison-Mill Union Cemetery (Cemetery)

The Cemetery is a jointly governed organization organized under Ohio Revised Code Section 759.27, and is directed by an appointed three-member board. Uhrichsville, Dennison and Union Township each appoint one member to the board. The continued existence of the Cemetery is not dependent on the City's participation. The Cemetery provides burial services and the upkeep of the grounds at the cemetery. During 2004, no monies were received from the City.

C. Tuscarawas County Tax Incentive Review Council (TCTIRC)

The Tuscarawas County Tax Incentive Review Council (TCTIRC) was created as a regional council of governments pursuant to State statutes. TCTIRC has 48 participants, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 16 members appointed by township trustees, 1 member from the County Auditor's Office and 10 members appointed by boards of education located within the County. The TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. The body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative body that approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent upon the City's continued participation and no measurable equity interest exists. The City does not retain an ongoing financial interest or an ongoing financial responsibility with this organization. During 2004, no monies were received from the City.

D. Twin City Water and Sewer District (District)

The District is a jointly governed organization organized under Ohio Revised Code Section 6119.01, and is established to supply water and to provide for the collection, treatment and disposal of waste water within the Uhrichsville-Dennison district, or beyond with additional fees. The cities of Uhrichsville and Dennison each appoint two of the five District's board members. The fifth board member is appointed by the other four board members. During 2004, no monies were received from the City.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2003

Note 16 – Shared Risk Pool

The Public Entities Pool of Ohio (the Pool) is a public entity shared risk pool which provides various risk management services to its members. The Pool is governed by a seven member board of directors; six are member representatives or elected officials and one is a representative of the pool administrator, American Risk Pooling Consultants, Inc. Each member has one vote on all issues addressed by the Board of Directors.

Participation in the Pool is by written application subject to the terms of the pool agreement. Members must continue membership for a full year and may withdraw from the Pool by giving a sixty day written notice prior to the annual anniversary. Financial information can be obtained from the Public Entities Pool of Ohio, 6797 North High Street, Suite 131, Worthington, Ohio 43085.

Note 17 – Internal Balances

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfer To	Transfers From		Totals
	General	FEMA	
General	\$ 0	\$ 7,415	\$ 7,415
Street	60,000	3,161	63,161
	\$ 60,000	\$ 10,576	\$ 70,576

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed. The money transferred from the FEMA Fund to the general and street funds was to account for FEMA reimbursement for flooding.

October 19, 2005

Mayor and Members of Council
City of Uhrichsville
Uhrichsville, OH 44663

INDEPENDENT AUDITOR'S 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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Uhrichsville (the "City") as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2005, which includes the implementation of a new reporting model described in Note 3. 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 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001. 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated October 19, 2005.

Mayor and Members of Council
City of Uhrichsville
Report on Internal Control
October 19, 2005
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated October 19, 2005.

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

Hea & Associates, Inc.

**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS
--

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No

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

Reportable Condition

FINDING NUMBER	2004-001
----------------	----------

*Policy and Procedure Manual

The City does not have written procedures which detail the City's financial and human resources procedures. As a result, no guidelines exist to assist City officials and employees in the decision-making process and clarification of job responsibilities, respectively.

The City should develop and implement a written policy and procedure manual adopted by City Council as evidenced in the minute record. This manual should serve as a reference tool for matters not addressed in the bargaining unit agreements such as: professional demeanor, equipment use, availability of public records, written job descriptions, and procedures for hiring, training, evaluating, and promoting of employees. This will assist City officials and employees in making informed decisions and provide clarity and distinction between individual employee job responsibilities.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF UHRICHVILLE

TUSCARAWAS 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
MARCH 28, 2006**