

**City of Uhrichsville**  
Tuscarawas County, Ohio

*Audited Financial Statements*

For the Year Ended  
December 31, 2017





# Dave Yost • Auditor of State

Members of Council  
City of Uhrichsville  
305 East Second Street  
Uhrichsville, Ohio 44683

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, 2017 through December 31, 2017. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 4, 2018



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**Tuscarawas County, Ohio**  
*December 31, 2017*  
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June 28, 2018

To the Members of Council  
City of Uhrichsville  
Tuscarawas County, Ohio  
305 E. Second Street, P.O. Box 288  
Uhrichsville, OH 44683

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Uhrichsville, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Uhrichsville, Tuscarawas County, Ohio, as of December 31, 2017, and the respective changes in financial position, and cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the City's Proportionate Share of the Net Pension Liability, and Schedule of City Contributions* on pages 5–13, 65, and 66–67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the City's internal control over financial reporting and on 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio



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The discussion and analysis of the City of Uhrichsville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

***Financial Highlights***

Key financial highlights for 2017 are as follows:

- In total, net position increased \$890,371 which represents a 12 percent increase from 2016. Net position of governmental activities increased \$774,473. Net position of business-type activities increased \$115,898.
- Total capital assets increased \$621,398 in 2017. Capital assets of governmental activities increased \$709,017 and capital assets of business-type activities decreased \$87,619.
- Outstanding debt decreased from \$5,608,769 to \$5,563,335 due to principal payments made during the year exceeding new capital leases and issuance of notes.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the City as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2017 and how they affected the operations of the City as a whole.

***Reporting the City of Uhrichsville as a Whole***

*Statement of Net Position and the Statement of Activities*

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column. In the case of the City of Uhrichsville, the general fund is by far the most significant fund. Business-type funds consist of the water park fund.

A question typically asked about the City's finances "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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These two statements report the City's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community development, leisure time services and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water park fund is reported as business-type activities.

***Reporting the City of Uhrichsville's Most Significant Funds***

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, the storm sewer assessment fund, the capital improvement fund, and the fire truck levy fund.

***Governmental Funds*** Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

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**The City of Uhrichsville as a Whole**

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016:

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and Other Assets	\$ 3,626,030	\$ 3,216,433	\$ 320,001	\$ 284,516	\$ 3,946,031	\$ 3,500,949
Capital Assets	8,369,434	7,660,417	3,461,697	3,549,316	11,831,131	11,209,733
<i>Total Assets</i>	<u>11,995,464</u>	<u>10,876,850</u>	<u>3,781,698</u>	<u>3,833,832</u>	<u>15,777,162</u>	<u>14,710,682</u>
<b>Deferred Outflows of Resources</b>						
Pension	637,899	661,217	0	0	637,899	661,217
<i>Total Deferred Outflows of Resources</i>	<u>637,899</u>	<u>661,217</u>	<u>0</u>	<u>0</u>	<u>637,899</u>	<u>661,217</u>
<b>Liabilities</b>						
Current and Other Liabilities	76,049	90,526	37,136	29,111	113,185	119,637
Long-Term Liabilities:						
Due within One Year	203,281	249,197	3,670,314	3,846,371	3,873,595	4,095,568
Due in More Than One Year:						
Net Pension Liability	2,708,701	2,520,529	0	0	2,708,701	2,520,529
Other Amounts	1,795,579	1,609,942	0	0	1,795,579	1,609,942
<i>Total Liabilities</i>	<u>4,783,610</u>	<u>4,470,194</u>	<u>3,707,450</u>	<u>3,875,482</u>	<u>8,491,060</u>	<u>8,345,676</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	517,780	493,843	0	0	517,780	493,843
Pension	52,804	69,334	0	0	52,804	69,334
<i>Total Deferred Inflows of Resources</i>	<u>570,584</u>	<u>563,177</u>	<u>0</u>	<u>0</u>	<u>570,584</u>	<u>563,177</u>
<b>Net Position</b>						
Net Investment in Capital Assets	6,711,099	6,141,625	(193,303)	(297,055)	6,517,796	5,844,570
Restricted	1,554,273	1,166,706	0	0	1,554,273	1,166,706
Unrestricted	(986,203)	(803,635)	267,551	255,405	(718,652)	(548,230)
<i>Total Net Position</i>	<u>\$ 7,279,169</u>	<u>\$ 6,504,696</u>	<u>\$ 74,248</u>	<u>\$ (41,650)</u>	<u>\$ 7,353,417</u>	<u>\$ 6,463,046</u>

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of

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the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

At year end, capital assets represented 75 percent of total assets. Capital assets include land, construction in progress, buildings and improvements, equipment and machinery, vehicles and infrastructure. Net investment in capital assets was \$6,517,796 at December 31, 2017, with \$6,711,099 in governmental activities and (\$193,303) in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The increase in long term liabilities was primarily caused by additional capital leases and changes related to net pension liability during 2017. The increase in capital assets is explained on page 12.

A portion of the City's net position, \$1,554,273 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit of \$718,652.

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Table 2 shows the changes in net position for fiscal year 2017 and 2016.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 305,440	\$ 274,902	\$ 394,842	\$ 483,144	\$ 700,282	\$ 758,046
Operating Grants	295,981	332,839	0	0	295,981	332,839
Capital Grants	518,558	0	0	0	518,558	0
<i>General Revenues:</i>						
Property Taxes	532,098	566,007	0	0	532,098	566,007
Income Taxes	1,799,733	1,786,540	0	0	1,799,733	1,786,540
Grants and Entitlements	210,191	204,955	0	0	210,191	204,955
Investment Earnings	1,646	1,721	0	0	1,646	1,721
Miscellaneous	139,698	100,446	24,112	7,295	163,810	107,741
<i>Total Revenues</i>	<u>3,803,345</u>	<u>3,267,410</u>	<u>418,954</u>	<u>490,439</u>	<u>4,222,299</u>	<u>3,757,849</u>
<b>Program Expenses</b>						
General Government	750,182	632,548	0	0	750,182	632,548
Security of Persons and Property	1,385,564	1,416,847	0	0	1,385,564	1,416,847
Public Health	125,800	244,122	0	0	125,800	244,122
Leisure Time Services	35,018	28,581	0	0	35,018	28,581
Community Development	5,243	34,029	0	0	5,243	34,029
Transportation	569,086	420,602	0	0	569,086	420,602
Interest and Fiscal Charges	37,979	35,180	0	0	37,979	35,180
<i>Enterprise Operations:</i>						
Water Park	0	0	423,056	560,257	423,056	560,257
<i>Total Program Expenses</i>	<u>2,908,872</u>	<u>2,989,769</u>	<u>423,056</u>	<u>560,257</u>	<u>3,331,928</u>	<u>3,372,166</u>
<i>Increase (Decrease) in Net Position</i>	894,473	455,501	(4,102)	(69,818)	890,371	385,683
Transfers	(120,000)	(245,000)	120,000	245,000	0	0
<i>Change in Net Position</i>	<u>\$ 774,473</u>	<u>\$ 210,501</u>	<u>\$ 115,898</u>	<u>\$ 175,182</u>	<u>\$ 890,371</u>	<u>\$ 385,683</u>
<i>Net Position Beginning of Year</i>	<u>6,504,696</u>	<u>6,294,195</u>	<u>(41,650)</u>	<u>(216,832)</u>	<u>6,463,046</u>	<u>6,077,363</u>
<i>Net Position End of Year</i>	<u>\$ 7,279,169</u>	<u>\$ 6,504,696</u>	<u>\$ 74,248</u>	<u>\$ (41,650)</u>	<u>\$ 7,353,417</u>	<u>\$ 6,463,046</u>

Capital grants increased \$518,558 due to a grant received for the purchase of a fire truck. The overall increase in expenses is primarily due to increases in the net pension liability.

**Governmental Activities**

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and charges for services.

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The City's income tax is at a rate of 2 percent, increasing from 1.75 percent during 2017 due to an additional voter approved 0.25 percent benefiting the street fund. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

General revenues include grants and entitlements, such as local government funds. With the combination of property tax, income tax and intergovernmental funding, all expenses in the governmental activities are fully funded. The City monitors its sources of revenues very closely for fluctuations.

There was a \$535,935 increase in total revenue during 2017. This is primarily due the grant received for a fire truck. The City has seen a decline in income tax revenues over the past several years. This decline was offset in 2017 with the 0.25 percent increase described above.

Police and fire represent the largest expense of the governmental activities. This expense of \$1,385,564 represents 48 percent of the total governmental activities expenses. The police and fire departments operate out of the General fund.

The City's Street Maintenance and Repair Department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$569,086, or 20 percent of total governmental activities expenses during 2017.

The City also maintains a park (leisure time activities) and maintains storm sewers (public health services) within the City. These areas had expenses of \$160,818 in 2017 equaling 6 percent of the total governmental services expenses.

### **Business-Type Activities**

Business-type activities are limited to the water park operations. The revenues are generated primarily from charges for services. In 2017 charges for services of \$394,842 accounted for 88 percent of the business type revenues. The total expenses for the water park were \$423,056. Due to a transfer in of \$120,000, net position increased \$115,898.

### ***The City's Funds***

#### ***Governmental Funds***

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. The net change in fund balance for all governmental funds was an increase of \$482,421. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for 2017 was an increase of \$135,096. This is due to the City spending conservatively.

The storm sewer assessment fund's net change in fund balance for 2017 was a decrease of \$55,396 due to timing differences between revenues and debt payments.



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The capital improvement fund's net change in fund balance for 2017 was an increase of \$112,811 primarily due to timing differences between revenues and projects, including debt payments on the related capital projects and transfers to the water fund.

The fire truck levy fund's net change in fund balance for 2017 was an increase of \$103,163 due to the city purchasing a new fire truck through a capital lease offset by a capital grant received to partially fund the purchase.

***Proprietary Fund***

The City's proprietary fund provides the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Unrestricted net position of the water park fund at the end of the year amounted to \$267,551. The total increase in net position for this fund was \$115,898. This increase was due to a transfer in that was made in 2017 to assist with water park debt repayment. Activity in this fund can fluctuate from year to year due to various factors, the primary one being weather.

***General Fund Budgeting Highlights***

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2017, the City amended its general fund budget several times. 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.

For the general fund, the actual budget basis revenue was \$2,016,453, representing an increase of \$38,743 over the final budget estimate of \$1,977,710. The \$300,000 increase from original to final budget revenues was primarily caused by an expected increase in estimated income tax.

Final expenditure appropriations of \$1,984,584 were higher than the actual expenditures of \$1,887,889 by \$96,695. Final appropriations were increased by \$116,000 due to increases in wages and benefits.

There were no significant variances to discuss within other financing sources and uses.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of year 2017, the City had \$11,831,131 invested in capital assets. A total of \$8,369,434 of this was for governmental activities and \$3,461,697 being attributable to business-type activities. Table 3 shows fiscal year 2017 balances compared with 2016.

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**Table 3**  
**Capital Assets at December 31**  
**Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,151,026	\$ 1,141,026	\$ 0	\$ 0	\$ 1,151,026	\$ 1,141,026
Construction in Progress	801,321	0	0	0	801,321	0
Buildings and Improvements	431,078	443,815	3,455,589	3,542,269	3,886,667	3,986,084
Equipment and Machinery	294,165	310,666	6,108	7,047	300,273	317,713
Vehicles	633,252	546,414	0	0	633,252	546,414
Infrastructure						
Roads	2,600,084	2,684,974	0	0	2,600,084	2,684,974
Storm Sewers	2,458,508	2,533,522	0	0	2,458,508	2,533,522
<i>Total</i>	<u>\$ 8,369,434</u>	<u>\$ 7,660,417</u>	<u>\$ 3,461,697</u>	<u>\$ 3,549,316</u>	<u>\$ 11,831,131</u>	<u>\$ 11,209,733</u>

The \$709,017 increase in capital assets of governmental activities was primarily attributable to current year additions, including the new fire ladder truck, exceeding current year depreciation. The \$87,619 decrease in capital assets of business-type activities is due to current year depreciation. See Note 9 for additional information about the capital assets of the City.

**Debt**

The outstanding debt for the City as of December 31, 2017 was \$5,563,335. See Note 10 for additional details. Table 4 summarizes outstanding debt.

**Table 4**  
**Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
South Water Street Loan - First National Bank	\$ 0	\$ 40,000	\$ 0	\$ 0	\$ 0	\$ 40,000
North Water Street Loan - State Infrastructure Bank	0	103,804	0	0	0	103,804
Newport Area South Sewer Improvement OPWC Loan	199,359	206,743	0	0	199,359	206,743
Newport Area South Sewer Improvement OWDA Loan	170,068	186,161	0	0	170,068	186,161
East 2nd Street Storm Sewer OPWC	64,125	66,500	0	0	64,125	66,500
East 2nd Street Storm Sewer OWDA	96,701	103,928	0	0	96,701	103,928
West Side Storm Sewer OWDA	326,070	346,122	0	0	326,070	346,122
West Side Storm Sewer OPWC	107,779	111,045	0	0	107,779	111,045
Eastport Avenue OWDA	261,990	273,432	0	0	261,990	273,432
Clay Museum	0	50,000	0	0	0	50,000
Police and Fire Pension	234,686	243,606	0	0	234,686	243,606
Note Payable	0	0	3,655,000	3,835,000	3,655,000	3,835,000
Unamortized Premium on Note	0	0	15,314	11,371	15,314	11,371
Capital Lease	432,243	31,057	0	0	432,243	31,057
<i>Total</i>	<u>\$ 1,893,021</u>	<u>\$ 1,762,398</u>	<u>\$ 3,670,314</u>	<u>\$ 3,846,371</u>	<u>\$ 5,563,335</u>	<u>\$ 5,608,769</u>

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2017*  
*(Unaudited)*

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***Economic Factors***

During 2017, the City continued to monitor their monies very closely and ended the year in the black.

- Leased a new cruiser for the police department
- Leased a new dump truck for the service department
- Re-financed the Water Park debt through the State of Ohio's OMAP program
- An additional .25 percent income tax levy was passed by voters for the Street Fund
- North Water Street and South Water Street loans were retired.
- The Clay Museum loan was paid off early
- Received a grant from the State of Ohio (Local Government Safety Capital Grant) for \$500,000 used towards the lease purchase of a new fire truck.

***Contacting the City's Finance Department***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Julie Pearch, Auditor at the City of Uhrichsville, 305 East 2nd Street, Uhrichsville, Ohio 44683, (740) 922-9344.

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**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Net Position*  
*December 31, 2017*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 1,880,769	\$ 320,001	\$ 2,200,770
Accounts Receivable	27,462	0	27,462
Intergovernmental Receivable	226,160	0	226,160
Taxes Receivable	573,560	0	573,560
Income Taxes Receivable	765,658	0	765,658
Special Assessments Receivable	62,026	0	62,026
Loans Receivable	44,866	0	44,866
Prepaid Items	33,415	0	33,415
Materials and Supplies Inventory	12,114	0	12,114
Non-Depreciable Capital Assets	1,952,347	0	1,952,347
Depreciable Capital Assets, Net	6,417,087	3,461,697	9,878,784
<i>Total Assets</i>	<u>11,995,464</u>	<u>3,781,698</u>	<u>15,777,162</u>
<b>Deferred Outflow of Resources</b>			
Pension	637,899	0	637,899
<i>Total Deferred Outflow of Resources</i>	<u>637,899</u>	<u>0</u>	<u>637,899</u>
<b>Liabilities</b>			
Accounts Payable	34,524	586	35,110
Accrued Wages	17,413	0	17,413
Intergovernmental Payable	24,112	0	24,112
Accrued Interest Payable	0	36,550	36,550
Long-Term Liabilities:			
Due Within One Year	203,281	3,670,314	3,873,595
Due in More Than One Year			
Net Pension Liability (See Note 13)	2,708,701	0	2,708,701
Other Amounts Due in More Than One Year	1,795,579	0	1,795,579
<i>Total Liabilities</i>	<u>4,783,610</u>	<u>3,707,450</u>	<u>8,491,060</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	517,780	0	517,780
Pension	52,804	0	52,804
<i>Total Deferred Inflows of Resources</i>	<u>570,584</u>	<u>0</u>	<u>570,584</u>
<b>Net Position</b>			
Net Investment in Capital Assets	6,711,099	(193,303)	6,517,796
Restricted For:			
Capital Outlay	1,019,824	0	1,019,824
Other Purposes	534,449	0	534,449
Unrestricted	(986,203)	267,551	(718,652)
<i>Total Net Position</i>	<u>\$ 7,279,169</u>	<u>\$ 74,248</u>	<u>\$ 7,353,417</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 750,182	\$ 93,777	\$ 8,406	\$ 0	\$ (647,999)	\$ 0	\$ (647,999)
Security of Persons and Property	1,385,564	69,620	11,720	518,558	(785,666)	0	(785,666)
Public Health	125,800	142,043	0	0	16,243	0	16,243
Leisure Time Services	35,018	0	3,571	0	(31,447)	0	(31,447)
Community Development	5,243	0	13,748	0	8,505	0	8,505
Transportation	569,086	0	258,536	0	(310,550)	0	(310,550)
Interest and Fiscal Charges	37,979	0	0	0	(37,979)	0	(37,979)
<i>Total Governmental Activities</i>	<u>2,908,872</u>	<u>305,440</u>	<u>295,981</u>	<u>518,558</u>	<u>(1,788,893)</u>	<u>0</u>	<u>(1,788,893)</u>
<b>Business-Type Activities</b>							
Water Park	423,056	394,842	0	0	0	(28,214)	(28,214)
<i>Total Primary Government</i>	<u>\$ 3,331,928</u>	<u>\$ 700,282</u>	<u>\$ 295,981</u>	<u>\$ 518,558</u>	<u>(1,788,893)</u>	<u>(28,214)</u>	<u>(1,817,107)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					262,462	0	262,462
Capital Projects					109,216	0	109,216
Parks and Recreation					23,731	0	23,731
Ambulance					102,069	0	102,069
Police and Fire Pension					34,620	0	34,620
Income Taxes Levied for:							
General Purposes					1,265,767	0	1,265,767
Capital Projects					345,209	0	345,209
Streets					188,757	0	188,757
Grants and Entitlements not Restricted to Specific Programs					210,191	0	210,191
Investment Earnings					1,646	0	1,646
Miscellaneous					139,698	24,112	163,810
<i>Total General Revenues</i>					<u>2,683,366</u>	<u>24,112</u>	<u>2,707,478</u>
Transfers					(120,000)	120,000	0
<i>Change in Net Position</i>					<u>774,473</u>	<u>115,898</u>	<u>890,371</u>
<i>Net Position Beginning of Year</i>					<u>6,504,696</u>	<u>(41,650)</u>	<u>6,463,046</u>
<i>Net Position End of Year</i>					<u>\$ 7,279,169</u>	<u>\$ 74,248</u>	<u>\$ 7,353,417</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2017*

	General Fund	Storm Sewer Assessment Fund	Capital Improvement Fund	Fire Truck Levy Fund	All Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Investments	\$ 747,318	\$ 271,814	\$ 248,216	\$ 231,678	\$ 381,743	\$ 1,880,769
Accounts Receivable	27,462	0	0	0	0	27,462
Intergovernmental Receivable	82,763	0	0	7,263	136,134	226,160
Taxes Receivable	286,762	0	0	103,484	183,314	573,560
Income Taxes Receivable	526,390	0	143,561	0	95,707	765,658
Special Assessments Receivable	0	62,026	0	0	0	62,026
Loans Receivable	0	0	44,866	0	0	44,866
Prepaid Items	33,415	0	0	0	0	33,415
Materials and Supplies Inventory	9,416	0	0	0	2,698	12,114
<i>Total Assets</i>	<u>\$ 1,713,526</u>	<u>\$ 333,840</u>	<u>\$ 436,643</u>	<u>\$ 342,425</u>	<u>\$ 799,596</u>	<u>\$ 3,626,030</u>
<b>Liabilities</b>						
Accounts Payable	\$ 19,772	\$ 0	\$ 0	\$ 0	\$ 14,752	\$ 34,524
Accrued Wages	14,875	0	0	0	2,538	17,413
Intergovernmental Payable	21,382	0	0	0	2,730	24,112
<i>Total Liabilities</i>	<u>56,029</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,020</u>	<u>76,049</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes Levied for the Next Year	258,987	0	0	93,084	165,709	517,780
Unavailable Revenue	434,505	62,026	87,249	17,663	172,392	773,835
<i>Total Deferred Inflows of Resources</i>	<u>693,492</u>	<u>62,026</u>	<u>87,249</u>	<u>110,747</u>	<u>338,101</u>	<u>1,291,615</u>
<b>Fund Balances</b>						
Nonspendable	42,831	0	0	0	2,698	45,529
Restricted	7,070	271,814	349,394	231,678	400,010	1,259,966
Committed	0	0	0	0	38,767	38,767
Assigned	512,063	0	0	0	0	512,063
Unassigned	402,041	0	0	0	0	402,041
<i>Total Fund Balances</i>	<u>964,005</u>	<u>271,814</u>	<u>349,394</u>	<u>231,678</u>	<u>441,475</u>	<u>2,258,366</u>
<i>Total Liabilities, Deferred Inflows of of Resources and Fund Balances</i>	<u>\$ 1,713,526</u>	<u>\$ 333,840</u>	<u>\$ 436,643</u>	<u>\$ 342,425</u>	<u>\$ 799,596</u>	<u>\$ 3,626,030</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*December 31, 2017*

<b>Total Governmental Fund Balances</b>		\$ 2,258,366
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,369,434
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Property Taxes	\$ 55,780	
Income Taxes	465,329	
Intergovernmental	163,238	
Accounts receivable	27,462	
Special Assessments	62,026	773,835
The net pension liability is not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	637,899	
Deferred Inflows - Pension	(52,804)	
Net Pension Liability	(2,708,701)	(2,123,606)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
OPWC Loans	(371,263)	
OWDA Loans	(854,829)	
Police and Fire Pension Liability	(234,686)	
Capital Leases	(432,243)	
Compensated Absences	(105,839)	(1,998,860)
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ 7,279,169</u></u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2017*

	General Fund	Storm Sewer Assessment Fund	Capital Improvement Fund	Fire Truck Levy Fund	All Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 264,283	\$ 0	\$ 0	\$ 95,587	\$ 155,359	\$ 515,229
Income Taxes	1,370,488	0	373,770	0	130,591	1,874,849
Special Assessments	0	137,326	0	0	0	137,326
Charges for Services	42,494	0	0	0	26,635	69,129
Licenses, Fees and Permits	86,382	0	0	0	0	86,382
Fines and Forfeitures	15,057	0	0	0	415	15,472
Intergovernmental	199,566	0	0	520,790	305,240	1,025,596
Interest	4,931	0	1,646	0	0	6,577
Rent	1,114	0	0	0	0	1,114
Contributions and Donations	12,000	0	0	0	7,188	19,188
Other	28,782	0	92,916	0	13,069	134,767
<i>Total Revenues</i>	<u>2,025,097</u>	<u>137,326</u>	<u>468,332</u>	<u>616,377</u>	<u>638,497</u>	<u>3,885,629</u>
<b>Expenditures</b>						
Current:						
General Government	667,307	671	0	0	0	667,978
Security of Persons and Property	1,056,892	0	0	13,214	160,757	1,230,863
Public Health	1,431	45,406	0	0	3,949	50,786
Leisure Time Services	0	0	0	0	33,811	33,811
Community Development	0	0	0	0	5,243	5,243
Transportation	65,317	0	22,057	0	241,990	329,364
Capital Outlay	21,189	141,321	93,976	801,321	0	1,057,807
Debt Service:						
Principal Retirement	67,762	90,661	155,099	495,872	0	809,394
Interest and Fiscal Charges	16,103	13,221	4,527	4,128	0	37,979
<i>Total Expenditures</i>	<u>1,896,001</u>	<u>291,280</u>	<u>275,659</u>	<u>1,314,535</u>	<u>445,750</u>	<u>4,223,225</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>129,096</u>	<u>(153,954)</u>	<u>192,673</u>	<u>(698,158)</u>	<u>192,747</u>	<u>(337,596)</u>
<b>Other Financing Sources (Uses)</b>						
Inception of Capital Lease	0	98,558	40,138	801,321	0	940,017
Transfers In	6,000	0	0	0	0	6,000
Transfers Out	0	0	(120,000)	0	(6,000)	(126,000)
<i>Total Other Financing Sources (Uses)</i>	<u>6,000</u>	<u>98,558</u>	<u>(79,862)</u>	<u>801,321</u>	<u>(6,000)</u>	<u>820,017</u>
<i>Net Change in Fund Balance</i>	<u>135,096</u>	<u>(55,396)</u>	<u>112,811</u>	<u>103,163</u>	<u>186,747</u>	<u>482,421</u>
<i>Fund Balance Beginning of Year</i>	<u>828,909</u>	<u>327,210</u>	<u>236,583</u>	<u>128,515</u>	<u>254,728</u>	<u>1,775,945</u>
<i>Fund Balance End of Year</i>	<u>\$ 964,005</u>	<u>\$ 271,814</u>	<u>\$ 349,394</u>	<u>\$ 231,678</u>	<u>\$ 441,475</u>	<u>\$ 2,258,366</u>

See accompanying notes to the basic financial statements.



**City of Uhrichsville**  
**Tuscarawas County, 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, 2017*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	482,421
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 997,065	
Current Year Depreciation	<u>(288,048)</u>	709,017
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(2,087)	
Income Taxes	(75,116)	
Special Assessments	4,717	
Licenses, Fees and Permits	(70)	
Charges for Services	(14,111)	
Intergovernmental	<u>4,383</u>	(82,284)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Loans Payable	90,000	
OPWC Loans	13,025	
OWDA Loans	54,814	
State Infrastructure Bank Loan	103,804	
Police and Fire Pension	8,920	
Capital Lease	<u>538,831</u>	809,394
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		199,624
 Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(394,584)
 Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(940,017)
 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		<u>(9,098)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>774,473</u></u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 288,949	\$ 288,949	\$ 264,283	\$ (24,666)
Income Taxes	1,202,461	1,402,261	1,384,273	(17,988)
Charges for Services	20,000	20,000	42,494	22,494
Licenses, Fees and Permits	51,800	51,800	86,382	34,582
Fines and Forfeitures	14,600	14,600	15,057	457
Intergovernmental	90,000	190,000	189,137	(863)
Interest	2,900	2,900	4,931	2,031
Rent	1,200	1,200	1,114	(86)
Other	6,000	6,000	28,782	22,782
<i>Total Revenues</i>	<u>1,677,910</u>	<u>1,977,710</u>	<u>2,016,453</u>	<u>38,743</u>
<b>Expenditures</b>				
Current:				
General Government	902,884	700,484	676,069	24,415
Security of Persons and Property	920,806	1,118,806	1,055,081	63,725
Public Health	2,000	2,500	1,431	1,069
Transportation	0	70,740	65,184	5,556
Capital Outlay	7,300	7,460	6,259	1,201
Debt Service:				
Principal Retirement	19,491	68,491	67,762	729
Interest and Fiscal Charges	16,103	16,103	16,103	0
<i>Total Expenditures</i>	<u>1,868,584</u>	<u>1,984,584</u>	<u>1,887,889</u>	<u>96,695</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(190,674)</u>	<u>(6,874)</u>	<u>128,564</u>	<u>135,438</u>
<b>Other Financing (Uses)</b>				
Transfers In	<u>0</u>	<u>0</u>	<u>6,000</u>	<u>6,000</u>
<i>Net Change in Fund Balance</i>	<u>(190,674)</u>	<u>(6,874)</u>	<u>134,564</u>	<u>141,438</u>
<i>Fund Balance Beginning of Year</i>	<u>602,754</u>	<u>602,754</u>	<u>602,754</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 412,080</u>	<u>\$ 595,880</u>	<u>\$ 737,318</u>	<u>\$ 141,438</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Fund*  
*December 31, 2017*

	Water Park
<b>Assets</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$ 320,001
<i>Non-Current Assets:</i>	
Depreciable Capital Assets, Net	3,461,697
<i>Total Assets</i>	3,781,698
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	586
Accrued Interest Payable	36,550
Notes Payable	3,670,314
<i>Total Liabilities</i>	3,707,450
<b>Net Position</b>	
Net Investment in Capital Assets	(193,303)
Unrestricted	267,551
<i>Total Net Position</i>	\$ 74,248

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Fund*  
For the Year Ended December 31, 2017

	Water Park
<b>Operating Revenues</b>	
Charges for Services	\$ 389,592
Rent	5,250
Other	24,112
	418,954
<b>Operating Expenses</b>	
Personal Services	115,819
Fringe Benefits	1,542
Contractual Services	117,865
Materials and Supplies	41,533
Depreciation	87,619
	364,378
<i>Total Operating Revenues</i>	<i>418,954</i>
<i>Total Operating Expenses</i>	<i>364,378</i>
<i>Operating Income</i>	<i>54,576</i>
<b>Non-Operating (Expense)</b>	
Interest	(58,678)
<i>Income (Loss) Before Transfers</i>	<i>(4,102)</i>
Transfers In	120,000
<i>Change in Net Position</i>	<i>115,898</i>
<i>Net Position Beginning of Year</i>	<i>(41,650)</i>
<i>Net Position End of Year</i>	<i>\$ 74,248</i>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Year Ended December 31, 2017

	Water Park
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 389,592
Cash Received from Rent	5,250
Cash Received from Other Operating Receipts	24,112
Cash Payments to Suppliers for Goods and Services	(41,533)
Cash Payments to Employees for Services and Benefits	(117,498)
Cash Payments for Contractual Services	(117,490)
	<u>142,433</u>
<i>Net Cash Provided by Operating Activities</i>	
<b>Cash Flows from Capital and Related Financing Activities</b>	
Issuance of Note	3,655,000
Transfers In	120,000
Premium on Debt Issuance	30,628
Principal Payments on Debt	(3,835,000)
Interest Payments on Debt	(77,576)
	<u>(106,948)</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	
<i>Net Increase in Cash and Investments</i> 35,485	
<i>Cash and Investments Beginning of Year</i> 284,516	
<i>Cash and Investments End of Year</i> <u>\$ 320,001</u>	
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 54,576
Adjustments:	
Depreciation	87,619
Increase (Decrease) in Liabilities:	
Accounts Payable	375
Intergovernmental Payable	(137)
	<u>142,433</u>
<i>Net Cash Provided by Operating Activities</i>	

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2017*

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	<u>Agency Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ <u>1,072</u>
<b>Liabilities</b>	
Undistributed Monies	\$ <u>1,072</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**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 5,401. 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 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 a Joint Economic Development District, which are defined as jointly governed organizations, the Twin City Water and Sewer District, which is defined as a joint venture, the Public Entities Pool of Ohio, which is a risk sharing pool and the Ohio Municipal League Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**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 more significant of the City's accounting policies are described below.

**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 position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government except fiduciary funds. These statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type 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 and for the business type activity of the City. 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 or business activity 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 enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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. There are three categories of funds utilized by the City: governmental, proprietary and fiduciary.



**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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**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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

**Storm Sewer Assessment Fund** The storm sewer assessment capital projects fund is used to account for grants and special assessments used to construct and improve storm sewers.

**Capital Improvement Fund** The capital improvement capital projects fund is used to account for financial resources to be used for various capital improvements.

**Fire Truck Levy Fund** The fire truck levy capital projects fund is used to account for financial resources to be used for purchases and repairs of the City's fire trucks.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's only proprietary fund is an enterprise fund:

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City has one major enterprise fund.

**Water Park Fund** This fund accounts for the operations and maintenance of the City's water park.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has one agency fund which is used to account for monies held for individuals and organizations for income taxes.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

***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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows and resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its enterprise activities.

The agency fund is not reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

***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. Proprietary and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange 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.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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Non-exchange 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 (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). 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.

***Deferred Inflows of Resources and Deferred Outflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13).

***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.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
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***E. Cash and Investments***

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 investments.”

Investments are reported at fair value, with the exception of nonparticipating investment contracts, such as certificates of deposit and repurchase agreements, which are reported at cost. During 2017, investments were limited to non-negotiable certificates of deposit.

Under existing Ohio statutes, the City has, by resolution, identified the general fund and the water park enterprise fund to receive an allocation of interest. Interest revenue credited to the general fund during 2017 amounted to \$4,931, which includes \$3,062 assigned from other City funds.

Investments of the cash management pool and investments with original maturities of three months or less are presented on the financial statements as “equity in pooled cash and investments.” Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.”

***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 held for consumption.

***G. Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They 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 position but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund is reported both in the business-type activity column of the government-wide statement of net position and in the fund.

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 back trending (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 capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. 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.

All capital assets are depreciated except for land and construction in progress. 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:

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
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Description	Estimated Lives
Buildings and Improvements	50 years
Equipment and Machinery	5-25 years
Infrastructure	40 years
Vehicles	15 years

During 2004, the City reported general infrastructure assets for the first time which consists of roads and storm sewers. Only general infrastructure assets acquired or improved since 2004 have been reported.

***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 employees with more than one year of service in the police department and street department when approved.

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 five years 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, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary funds 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 net pension liability 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 bonds and loans are recognized as a liability on the governmental fund financial statements when due.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***J. Pension***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***K. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is 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 City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***L. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
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*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City Council has by resolution authorized the City Auditor to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

***M. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the water park. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

***N. Internal Activity***

Transfers between governmental activities are eliminated on the government wide financial statements. Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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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.

***O. Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. The straight-line method of amortization is not materially different from the effective-interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

***P. 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. Neither type of transaction occurred during 2017.

***Q. 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.

***R. 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 and final budgeted amounts on the budgetary statements reflect the amounts on the original and final amended certificate of estimated resources in effect at the time the original and final appropriations were passed by Council.



**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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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 – Implementation of New Accounting Principles**

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

**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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is 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).

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
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2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a restricted, committed, or assigned fund balance (GAAP).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

**Net Change in Fund Balance**

GAAP Basis	\$	135,096
Net Adjustment for Revenue Accruals		1,356
Net Adjustment for Expenditure Accruals		5,182
Funds Budgeted Elsewhere *		<u>(7,070)</u>
Budget Basis	<u>\$</u>	<u>134,564</u>

\* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the clay museum fund.

**Note 5 – Deposits and Investments**

State statutes classify monies held by the City into two categories, active and inactive.

Active monies 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 deposit accounts.

Inactive monies are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing 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 deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies to 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 or 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;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed 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 any 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;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Commercial paper and bankers' acceptances if training requirements have been met.

The City may also invest any monies not required to be used for a specific period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons;
3. Obligations of the City.

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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. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

**Note 6 – Receivables**

Receivables at December 31, 2017, consisted primarily of taxes, accounts (billings for user charged services), special assessments, loans and intergovernmental receivables arising from grants, entitlements and shared revenues. The loan receivable is a land installment contract in which the City will receive monthly payments over the next twenty years. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables, except property taxes, special assessments, and loans, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Note 7 – Property Tax**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes were levied after October 1, 2017 on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$11.40 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

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Category	Assessed Value
Real Property	\$ 54,277,230
Public Utilities - Real	57,290
Public Utilities - Personal	2,361,070
Total Assessed Value	\$ 56,695,590

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

**Note 8 – Income Tax**

The City levies a municipal income tax of 2.0 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, which is an increase of 0.25 percent for the street fund effective July 1, 2017. 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 2.0 percent is comprised of 1 percent credited to the general fund, 0.75 percent equally distributed between the general fund and capital improvement fund, and 0.25 percent credited to the street fund. The 0.25 percent is voted income tax restricted for road paving, road construction, and road maintenance.

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**Note 9 – Capital Assets**

A summary of changes in capital assets during 2017 follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$1,141,026	\$ 10,000	\$ 0	\$1,151,026
Construction in Progress	0	801,321	0	801,321
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,141,026</u>	<u>811,321</u>	<u>0</u>	<u>1,952,347</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	626,676	0	0	626,676
Equipment and Machinery	724,604	23,850	0	748,454
Vehicles	1,609,214	161,894	0	1,771,108
Infrastructure:				
Storm Sewers	3,000,570	0	0	3,000,570
Roads	3,395,588	0	0	3,395,588
<i>Total Capital Assets, Being Depreciated</i>	<u>9,356,652</u>	<u>185,744</u>	<u>0</u>	<u>9,542,396</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(182,861)	(12,737)	0	(195,598)
Equipment and Machinery	(413,938)	(40,351)	0	(454,289)
Vehicles	(1,062,800)	(75,056)	0	(1,137,856)
Infrastructure:				
Storm Sewers	(467,048)	(75,014)	0	(542,062)
Roads	(710,614)	(84,890)	0	(795,504)
<i>Total Accumulated Depreciation</i>	<u>(2,837,261)</u>	<u>(288,048)</u>	<u>0</u>	<u>(3,125,309)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>6,519,391</u>	<u>(102,304)</u>	<u>0</u>	<u>6,417,087</u>
<i>Total Governmental Activity Capital Assets, Net</i>	<u>\$7,660,417</u>	<u>\$ 709,017</u>	<u>\$ 0</u>	<u>\$8,369,434</u>

**City of Uhrichsville**  
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	<u>Balance</u> <u>12/31/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2017</u>
<b>Business-Type Activities:</b>				
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	\$4,276,981	\$ 0	\$ 0	\$4,276,981
Equipment and Machinery	<u>38,961</u>	<u>0</u>	<u>0</u>	<u>38,961</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>4,315,942</u>	<u>0</u>	<u>0</u>	<u>4,315,942</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(734,712)	(86,680)	0	(821,392)
Equipment and Machinery	<u>(31,914)</u>	<u>(939)</u>	<u>0</u>	<u>(32,853)</u>
<i>Total Accumulated Depreciation</i>	<u>(766,626)</u>	<u>(87,619)</u>	<u>0</u>	<u>(854,245)</u>
<i>Total Business-Type Capital Assets, Net</i>	<u>\$3,549,316</u>	<u>\$(87,619)</u>	<u>\$ 0</u>	<u>\$3,461,697</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 16,110
Security of Persons and Property	70,598
Transportation	125,119
Public Health Services	75,014
Leisure Time Services	<u>1,207</u>
Total Depreciation Expense	<u>\$ 288,048</u>

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**Note 10 – Long-Term Obligations**

Changes in long-term obligations of the City during the year ended December 31, 2017, were as follows:

	Balance 12/31/2016	Additions	(Reductions)	Balance 12/31/2017	Due in One Year
<b>Governmental Activities:</b>					
South Water Street Loan	\$ 40,000	\$ 0	\$ (40,000)	\$ 0	\$ 0
State Infrastructure Bank Loan	103,804	0	(103,804)	0	0
Newport Area Storm Sewer OPWC Loan	206,743	0	(7,384)	199,359	14,767
Newport Area Storm Sewer OWDA Loan	186,161	0	(16,093)	170,068	16,254
East 2nd Street Storm Sewer OPWC Loan	66,500	0	(2,375)	64,125	4,750
East 2nd Street Storm Sewer OWDA Loan	103,928	0	(7,227)	96,701	7,300
West Side Storm Sewer OWDA Loan	346,122	0	(20,052)	326,070	20,253
West Side Storm Sewer OPWC Loan	111,045	0	(3,266)	107,779	6,532
Eastport Avenue Storm Sewer OWDA Loan	273,432	0	(11,442)	261,990	0
Clay Museum Loan	50,000	0	(50,000)	0	0
Police and Fire Pension	243,606	0	(8,920)	234,686	12,304
Net Pension Liability - OPERS & OPF	2,520,529	188,172	0	2,708,701	0
Compensated Absences	96,741	23,208	(14,110)	105,839	9,956
Capital Leases	31,057	940,017	(538,831)	432,243	111,165
<i>Total Governmental Activities</i>	<u>\$ 4,379,668</u>	<u>\$ 1,151,397</u>	<u>\$ (823,504)</u>	<u>\$ 4,707,561</u>	<u>\$ 203,281</u>
<b>Business-Type Activities:</b>					
Recreational Facilities Improvement Note	\$ 3,835,000	\$ 3,655,000	\$ (3,835,000)	\$ 3,655,000	\$3,655,000
Unamortized Premium on Bonds	11,371	30,628	(26,685)	15,314	15,314
<i>Total Business-Type Activities</i>	<u>\$ 3,846,371</u>	<u>\$ 3,685,628</u>	<u>\$ (3,861,685)</u>	<u>\$ 3,670,314</u>	<u>\$3,670,314</u>

On June 29, 2017, the City issued a Recreational Facilities Improvement Note in the amount of \$3,655,000 to refund the improvement note previously used to finance the water park construction. The note matures in June 2018 and has an interest rate of 2.0 percent and will be paid from the water park enterprise fund with user charges to the extent monies are available. Additional monies will be transferred in from the capital improvement fund as needed.

During 2007, the City entered into a loan agreement for a construction project on South Water Street. The loan has an interest rate of 5.39 percent and will be paid from the capital improvements fund. In 2010, the City finalized a State Infrastructure Bank loan with the Ohio Department of Transportation. The total amount borrowed was \$749,987 at an interest rate of 3 percent. These loans were fully repaid in 2017.

In 2010, the City finalized a loan with the Ohio Public Works Commission (OPWC) for the Newport area storm sewer project in the amount of \$295,347. The City pays no interest on this loan and it will be fully repaid in 2030. This loan will be paid from the storm sewer assessment fund.



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In 2007, the City was awarded a loan from the Ohio Water Development Authority (OWDA) in the amount of \$329,990 for the Newport area storm sewer improvement project. The loan has an interest rate of 1 percent and will be fully repaid in 2028. This loan will be paid from the storm sewer assessment fund.

In 2010, the City was awarded a loan from OPWC in the amount of \$95,000 for the East Second Street storm sewer improvement project. The loan is interest free and matures in 2031. This loan will be paid from the storm sewer assessment fund.

In 2011, the City was awarded a loan from the OWDA in the amount of \$158,091 for the East Second Street area storm sewer improvement project. The loan has an interest rate of 1 percent and will be fully repaid in 2030. This loan will be paid from the storm sewer assessment fund.

In 2011, the City was awarded a loan from OWDA in the amount of \$466,612 for the West Side storm sewer improvement project. The loan has an interest rate of 1 percent and will be fully repaid in 2033. This loan will be paid from the storm sewer assessment fund.

In 2013, the City was awarded a loan from OPWC in the amount of \$130,641 for the West Side storm sewer improvement project. The loan is interest free and will be fully repaid in 2034. This loan will be paid from the storm sewer assessment fund.

During 2011, the City entered into a loan agreement with the purchase of the Clay Museum building. The loan has an interest rate of 6.50 percent and will be paid from the general fund. The loan was fully repaid in 2017 to recognize interest savings.

In 2015, the City was awarded a planning loan from OWDA in the amount of \$89,583 for the Eastport Avenue storm sewer improvement project. The loan had an interest rate of 3.41 percent and was combined with a construction loan. This loan will be paid from the storm sewer assessment fund. The new loan is approved for \$285,182 and has an interest rate of 2.06 to 2.46 percent and matures in 2037. As of December 31, 2017, only \$273,432 has been drawn down. This loan is not fully disbursed and no amortization schedule is available. Therefore, it has been excluded from the schedule below.

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

Compensated absences will be paid from the general and street funds. The City pays obligations related to employee compensation from the fund benefitting from their service.

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Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2017, are as follows:

Governmental Activities						
	OWDA Loans		OPWC Loans		Police and Fire Pension	
	Principal	Interest	Principal	Principal	Interest	
2018	\$ 43,807	\$ 5,920	\$ 26,049	\$ 12,304	\$ 9,876	
2019	44,247	5,482	26,049	9,703	9,476	
2020	44,689	4,937	26,049	10,120	9,060	
2021	45,138	4,488	26,049	10,554	8,625	
2022	45,591	4,035	26,049	11,008	8,172	
2023-2027	234,895	13,234	130,247	62,550	33,351	
2028-2032	134,472	3,469	100,972	77,187	18,813	
2033-2035	0	0	9,799	41,260	2,825	
<b>Total</b>	<b>\$ 592,839</b>	<b>\$ 41,565</b>	<b>\$ 371,263</b>	<b>\$ 234,686</b>	<b>\$ 100,198</b>	

	Governmental Activities		Business-Type Activities		Grand Total	
	Total		Note		Grand Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 82,160	\$ 15,796	\$ 3,655,000	\$ 72,897	\$ 3,737,160	\$ 88,693
2019	79,999	14,958	0	0	79,999	14,958
2020	80,858	13,997	0	0	80,858	13,997
2021	81,741	13,113	0	0	81,741	13,113
2022	82,648	12,207	0	0	82,648	12,207
2023-2027	427,692	46,585	0	0	427,692	46,585
2028-2032	312,631	22,282	0	0	312,631	22,282
2033-2035	51,059	2,825	0	0	51,059	2,825
<b>Totals</b>	<b>\$ 1,198,788</b>	<b>\$ 141,763</b>	<b>\$ 3,655,000</b>	<b>\$ 72,897</b>	<b>\$ 4,853,788</b>	<b>\$ 214,660</b>

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**Note 11 – Capital Leases Payable**

In 2011, the City entered into a capitalized lease for the acquisition of a street sweeper. This lease met the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

The street sweeper acquired by the lease in the amount of \$198,268 has been capitalized in the governmental activities which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$85,916 as of December 31, 2017, leaving a current book value of \$112,352. A corresponding liability was recorded and is reduced for each required principal payment. This lease will be paid from the storm sewer assessment fund.

In 2016, the City entered into a capitalized lease for the acquisition of a police cruiser. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

The police cruiser acquired by the lease has been capitalized in the governmental activities in the amount of \$40,138, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$2,676 as of December 31, 2017, leaving a current book value of \$37,462. A corresponding liability is recorded and is reduced for each required principal payment. This lease will be paid from the police uniform and equipment fund.

In 2017, the City entered into a capitalized lease for the acquisition of a police cruiser, a dump truck, and a ladder truck. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The police cruiser acquired by the lease has been capitalized in the governmental activities in the amount of \$40,138, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$1,338 as of December 31, 2017, leaving a current book value of \$38,800. A corresponding liability is recorded and is reduced for each required principal payment. This lease will be paid from the police uniform and equipment fund.

The dump truck acquired by the lease has been capitalized in the governmental activities in the amount of \$98,558, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was \$3,285 as of December 31, 2017, leaving a current book value of \$95,273. A corresponding liability is recorded and is reduced for each required principal payment. This lease will be paid from the storm sewer assessment fund.

In 2017, the City entered into a lease in the amount of \$801,321 for the acquisition of a new fire ladder truck. The City made a down payment toward the purchase of the truck in 2017; however, as of December 31, 2017, the City had not taken possession of the truck.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2017:

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		Governmental Activities
		<u>Capital Leases</u>
Year ending December 31,	2018	\$ 125,302
	2019	125,302
	2020	114,009
	2021	<u>102,716</u>
Minimum lease payments		467,329
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(35,086)</u>
Present value of net minimum lease payments		<u>\$ 432,243</u>

**Note 12 – Risk Management**

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

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

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 and 2015 (the most recent available):

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	2016	2015
Assets	\$ 42,182,281	\$ 38,307,677
Liabilities	(13,396,700)	(12,759,127)
Net Position	\$ 28,785,581	\$ 25,548,550

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$12.0 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the City's share of these unpaid claims collectible in future years is approximately \$34,000.

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

Contributions to PEP

2016	\$ 54,568
2017	57,283

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

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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. 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.

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**Note 13 – Defined Benefit Pension Plans**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions are provided to an employee - on a deferred-payment basis - as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index (CPI), capped at 3 percent.

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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	State and Local
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.00 %
Employee	10.00 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$48,463 for 2017. Of this amount, \$4,106 is reported as an intergovernmental payable.

***Plan Description – Ohio Police & Fire Pension Fund (OPF)***

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.



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The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the Consumer Price Index (CPI-W) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2017 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2017 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-Employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$151,161 for 2017. Of this amount, \$13,817 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$234,686 payable in semi-annual payments through the year 2035.

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***Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.00291972%	0.03229700%	
Prior Measurement Period	0.00258300%	0.03222600%	
Change in Proportion	<u>0.00033672%</u>	<u>0.00007100%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 663,019	\$ 2,045,682	\$ 2,708,701
Pension Expense	\$ 154,059	\$ 240,525	\$ 394,584

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Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
<b>Deferred Outflows of Resources</b>			
Net Difference between Projected and Actual			
Earnings on Pension Plan Investments	\$ 98,741	\$ 201,088	\$ 299,829
Differences between Expected and			
Actual Experience	899	579	1,478
Changes of Assumptions	105,163	0	105,163
Changes in Proportionate Share	28,596	3,209	31,805
City Contributions Subsequent			
to the Measurement Date	48,463	151,161	199,624
Total Deferred Outflows of Resources	<u>\$ 281,862</u>	<u>\$ 356,037</u>	<u>\$ 637,899</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 3,948	\$ 4,710	\$ 8,658
Changes in Proportionate Share	300	43,846	44,146
Total Deferred Inflows of Resources	<u>\$ 4,248</u>	<u>\$ 48,556</u>	<u>\$ 52,804</u>

\$199,624 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2018	\$ 96,301	\$ 66,193	\$ 162,494
2019	99,469	66,195	165,664
2020	36,276	48,168	84,444
2021	(2,895)	(22,856)	(25,751)
2022	0	(1,458)	(1,458)
Thereafter	0	78	78
	<u>\$ 229,151</u>	<u>\$ 156,320</u>	<u>\$ 385,471</u>

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***Actuarial Assumptions - OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

<b>Actuarial Information</b>	<b>Traditional Pension Plan</b>
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	<u>18.00</u>	<u>4.92</u>
Total	<u>100.00 %</u>	<u>5.66 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability:	\$ 1,012,909	\$ 663,019	\$ 371,447

***Actuarial Assumptions – OPF***

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.60 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in OPF's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016, are summarized as follows:

<u>Asset Class</u>	Target <u>Allocation</u>	10 Year Expected Real <u>Rate of Return**</u>	30 Year Expected Real <u>Rate of Return**</u>
Domestic Equity	16.00 %	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income*	20.00	1.67	2.37
Global Inflation Protected Securities*	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Real Assets	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers are net of expected inflation

OPF's Board of Trustees has incorporated the risk parity concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall total portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, OPF's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 2,724,576	\$ 2,045,682	\$ 1,470,269

***Changes between Measurement Date and Report Date***

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.00 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

**Note 14 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.



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The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the City’s contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were \$3,728, \$7,549, and \$7,726 respectively. For 2017, 92 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

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OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at [www.op-f.org](http://www.op-f.org).

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015 were \$3,560, \$3,466 and \$3,252, respectively. 89 percent has been contributed for police and 93 percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

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**Note 15 – 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. Employees 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, street employees with five years of service but less than ten years of service can be paid one-fourth of the outstanding sick leave accumulation up to a maximum payment of \$13,500. Street employees with more than ten years of service can be paid one-half of the outstanding sick leave accumulation up to a maximum payment of 90 days. Upon retirement or death, firefighters with five years of service but less than ten years of service can be paid one day's pay for every four days of accumulated sick leave, not to exceed payment of \$27,000. Firefighters with more than ten years of service can be paid one day's pay for every two days of accumulated sick leave, not to exceed payment of 2,160 hours. Police employees with five years of service but less than ten years of service can be paid one-third of the outstanding sick leave accumulation up to a maximum payment of 60 days. Police employees with more than ten years of service can be paid on-half of the outstanding sick leave accumulation up to a maximum payment of 120 days.

***B. Health Insurance***

The City provides medical/surgical benefits and prescription drug coverage to employees through Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC). Dental insurance is provided by the City for employees through Delta Dental. Vision insurance is provided by the City for employees through 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 in the amounts of \$27,500 and \$22,500, respectively; to all eligible full-time union police employees in the amounts of \$25,000 and \$25,000, respectively, and to all eligible full-time non-union employees in the amounts of \$25,000 and \$25,000, respectively, through the Standard Life Insurance Company.

**Note 16 – 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.

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***B. Grants***

The City received financial assistance from 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, 2017.

**Note 17 – 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 Gnadenuhthen. 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 2017, no monies were contributed by 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 2017, no monies were contributed by the City.

***C. Tuscarawas County Tax Incentive Review Council (TCTIRC)***

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 on-going financial interest or an ongoing financial responsibility with this organization. During 2017, no monies were contributed by the City.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

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***D. Joint Economic Development District (JEDD)***

(JEDD) is a not for profit community improvement Corporation formed under Chapter 715.72 through 715.83 of the Ohio Revised Code. The JEDD was formed in 2013 and was designated as the economic development agent for the City of Uhrichsville and Rush Township. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, the Township, the City and the District served. The JEDD is administered by a Board of locally appointed officials and local business leaders.

**Note 18 – Joint Venture**

***Twin City Water and Sewer District (District)***

The District is a joint venture 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. Continued existence of the District is dependent on the City's continued participation; however, the City does not have an equity interest in the District. The District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. During 2017, no monies were received from the City.

**Note 19 – Public Entity Risk Pools**

***A. Risk Sharing 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.

***B. Insurance Purchasing Pool***

The City is a participant in the Ohio Municipal League Group Rating Program (OML), an insurance purchasing pool for workers' compensation. The OML's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance officers, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 20 – Interfund Transfers**

The Dare fund transferred \$6,000 to the general fund during 2017 to reimburse for allowable expenses paid from the general fund. The capital improvement fund transferred \$120,000 to the water park fund to pay debt payments.

**Note 21 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General Fund	Storm Sewer Assessment Fund	Capital Improvement Fund	Fire Truck Levy Fund	Other Governmental Funds	Total
Nonspendable for:						
Materials and Supplies Inventory	\$ 9,416	\$ 0	\$ 0	\$ 0	\$ 2,698	\$ 12,114
Prepaid Items	33,415	0	0	0	0	33,415
Total Nonspendable	<u>42,831</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,698</u>	<u>45,529</u>
Restricted for:						
Capital Outlay	0	271,814	349,394	231,678	0	852,886
Street	0	0	0	0	217,313	217,313
Community Development	0	0	0	0	58,340	58,340
Parks and Recreation	0	0	0	0	20,881	20,881
Ambulance Services	0	0	0	0	58,311	58,311
Police and Fire Pension	0	0	0	0	8,091	8,091
Other Purposes	7,070	0	0	0	37,074	44,144
Total Restricted	<u>7,070</u>	<u>271,814</u>	<u>349,394</u>	<u>231,678</u>	<u>400,010</u>	<u>1,259,966</u>
Committed for:						
Police and Fire						
Uniforms and Equipment	0	0	0	0	38,767	38,767
Assigned:						
Subsequent Year Appropriations	512,063	0	0	0	0	512,063
Unassigned	402,041	0	0	0	0	402,041
Total Fund Balance	<u>\$ 964,005</u>	<u>\$ 271,814</u>	<u>\$ 349,394</u>	<u>\$ 231,678</u>	<u>\$ 441,475</u>	<u>\$ 2,258,366</u>

**Note 22 – Subsequent Event**

Historically, the City annually refinances the Water Park debt into a recreational facilities improvement note in July each year. The City refinanced \$3,455,000 on June 27, 2018..

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Last Four Years (1)*

	2017	2016	2015	2014
<b>Ohio Public Employees' Retirement System (OPERS)</b>				
City's Proportion of the Net Pension Liability	0.0029197%	0.0025830%	0.0025900%	0.0025900%
City's Proportionate Share of the Net Pension Liability	\$ 663,019	\$ 447,408	\$ 312,383	\$ 305,327
City's Covered Payroll	\$ 377,433	\$ 340,300	\$ 317,450	\$ 241,531
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.67%	131.47%	98.40%	126.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
<b>Ohio Police and Fire Pension Fund (OPF)</b>				
City's Proportion of the Net Pension Liability	0.0322970%	0.0322260%	0.0335327%	0.0335327%
City's Proportionate Share of the Net Pension Liability	\$ 2,045,682	\$ 2,073,121	\$ 1,737,134	\$ 1,633,148
City's Covered Payroll	\$ 693,250	\$ 650,321	\$ 667,957	\$ 745,448
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	295.09%	318.78%	260.07%	219.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Notes:**

**Ohio Public Employees' Retirement System (OPERS)**

*Changes of Benefit Terms:* None.

*Changes of Assumptions:* Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Last Ten Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><i>Ohio Public Employees' Retirement System (OPERS)</i></b>				
Contractually Required Contribution	\$ 48,463	\$ 45,292	\$ 40,836	\$ 38,094
Contributions in Relation to the Contractually Required Contribution	<u>(48,463)</u>	<u>(45,292)</u>	<u>(40,836)</u>	<u>(38,094)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 372,793	\$ 377,433	\$ 340,300	\$ 317,450
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%
<b><i>Ohio Police and Fire Pension Fund (OPF)</i></b>				
Contractually Required Contribution	\$ 151,161	\$ 146,992	\$ 138,254	\$ 140,332
Contributions in Relation to the Contractually Required Contribution	<u>(151,161)</u>	<u>(146,992)</u>	<u>(138,254)</u>	<u>(140,332)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's Covered Payroll	\$ 712,042	\$ 693,250	\$ 650,321	\$ 667,957
Contributions as a Percentage of Covered Payroll	21.23%	21.20%	21.26%	21.01%

(n/a) Information prior to 2013 is not available.



<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 31,399	n/a	n/a	n/a	n/a	n/a
<u>(31,399)</u>	n/a	n/a	n/a	n/a	n/a
<u>\$ 0</u>	n/a	n/a	n/a	n/a	n/a
\$ 241,531	n/a	n/a	n/a	n/a	n/a
13.00%	n/a	n/a	n/a	n/a	n/a
\$ 133,078	\$ 126,697	\$ 109,611	\$ 102,390	\$ 96,568	\$ 97,701
<u>(133,078)</u>	<u>(126,697)</u>	<u>(109,611)</u>	<u>(102,390)</u>	<u>(96,568)</u>	<u>(97,701)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 745,448	\$ 865,130	\$ 729,994	\$ 689,101	\$ 645,058	\$ 645,302
17.85%	14.64%	15.02%	14.86%	14.97%	15.14%

June 28, 2018

To the Members of Council  
City of Uhrichsville  
Tuscarawas County, Ohio  
305 E. Second Street, P.O. Box 288  
Uhrichsville, OH 44683

**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, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Uhrichsville, Tuscarawas County, Ohio (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings & Responses* as items 2017-001 and 2017-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Response to Findings**

The City's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings & Responses*. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hea & Associates, Inc.*

New Philadelphia, Ohio

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Schedule of Findings & Responses*  
*December 31, 2017*

**Finding: 2017 – 001**

**Significant Deficiency – Internal Control – Payroll**

**Criteria:** Payroll is the largest expense incurred by the City. The City’s management is responsible for designing, implementing and maintaining sound internal controls over the payroll process to ensure that payroll is for actual time worked and to ensure that payroll is paid from the fund for which the work was performed.

**Condition:** During our review of internal controls over the payroll process and payroll testing we noted the following issues;

- Inconsistent supervisory approval of timecards and leave requests.
- Lack of documentation of approved pay rates for certain employees. This issue primarily relates to water park employees. The last formal action taken relating to lifeguard and concession worker wages was made in 2009. Pay rates for these employees have been adjusted to remain compliant with federal minimum wage requirements but no formal action has been taken by City Council to approve those rates. The majority of the City’s employees are covered by negotiated agreements, we noted no issues with the testing of those employees.
- Lack of segregation of duties in the payroll process. The City Auditor processes payroll with very little oversight or monitoring. We did not note anything improper in our testing but lack of proper monitoring controls increases risk for errors or improper payments.
- We noted the City does not have any sick and vacation leave policies that detail when, or if, balances will be paid out as well as when balances can be rolled over into the subsequent year. The City operates in accordance with negotiated agreements but there can be confusion in regards to employees not covered by a negotiated agreement.

**Cause:** The factors that resulted in the control failures were a lack of oversight and authorization over the payroll process.

**Effect:** This could cause inaccurate reporting of time to go undetected which could lead to errors in the payroll process.

**Recommendation:** We recommend the City re-evaluate the design, implementation and maintenance of internal controls over the payroll process. Internal controls should be sufficient to ensure that payroll expenses are for actual time work and evidence is maintained to support supervisory approval.

**Management’s Response:** The payroll process will be revised to address deficiencies. Management will be informed of the importance of internal controls and their role in the process. We will continue to work on developing the necessary policies.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Schedule of Findings & Responses*  
*December 31, 2017*

**Finding Number: 2017-002**

**Significant Deficiency - Purchasing Policies and Procedures**

**Criteria:** The purchasing policies and procedures adopted by the City regarding the purchasing of goods and services include preparing a requisition for purchased goods or services, receipting and providing evidence the goods were received in acceptable condition or services were satisfactorily rendered, and obtaining proper authorization of the invoice for payment.

**Condition:** While obtaining an understanding of the disbursement process we noted the procedures were not consistently followed by all departments. During our walkthrough procedures we identified multiple payments made without the required evidence that goods or services were received and no authorization of the invoice for payment.

**Cause:** The City has acceptable verbal authorization for payment of invoices; however, no formal documentation is retained in accordance with the purchasing policy.

**Effect:** The lack of segregation of duties and lack of accountability for purchasing approval at the City increases the risk of fraud, misappropriation of goods or services, and the risk of misstatement of the financial statements due to error and/or fraud.

**Recommendation:** We recommend the City ensure all City personnel are aware of the City's purchasing policies and procedures. This will allow management to improve enforcement of a uniform policy. We further recommend management review the purchasing process to identify and develop procedures to minimize risks relating to segregation of duties conflicts.

**Management's Response:** We will continue to train our employees on the importance of adhering to the established procedures for disbursements. All personnel will be informed of the procedures in place and the expectation to follow them.

**City of Uhrichsville**  
**Tuscarawas County, Ohio**  
*Summary Schedule of Prior Audit Findings*  
*December 31, 2017*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2016-001	Material Weakness – Internal Controls over Financial Reporting	Partially Corrected	Downgraded to management letter comment.
2016-002	Significant Deficiency – Internal Control - Payroll	Repeated as Finding Number 2017-001	None
2016-003	Significant Deficiency – Purchasing Policies and Procedures	Repeated as Finding Number 2017-002	None



# Dave Yost • Auditor of State

CITY OF UHRICHSVILLE

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  
SEPTEMBER, 18 2018