

City of Uhrichsville

Audited Financial Statements

December 31, 2003



**Auditor of State
Betty Montgomery**

Members of Council
City of Uhrichsville

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, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 3, 2005

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**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

DECEMBER 31, 2003

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

July 20, 2004

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

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the City of Uhrichsville (the "City") as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The City delegated employee's health insurance claims processing to a third-party administrator. The City has not obtained certain accounting records related to the closeout of the employee's health insurance program. As the City was unable to determine if a receivable or claims liability should be recognized for the closeout of the plan, we were unable to form an opinion, and we express no opinion, regarding the Internal Service Fund Type financial statements.

In our opinion, except that we express no opinion on the Internal Service Fund Type financial statements as discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Uhrichsville as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 20, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City of Uhrichsville, Ohio, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Hea & Associates, Inc.

City of Uhrichsville, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2003

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$229,058	\$57,834	\$1,320,621
Cash and Cash Equivalents in Segregated Accounts	0	11,494	0
Receivables:			
Taxes	517,304	118,866	94,337
Accounts	1,572	1,217	0
Accrued Interest	2,356	0	0
Intergovernmental	204,654	379,139	6,019
Advances to Other Funds	0	0	16,631
Interfund Receivable	282	0	0
Materials and Supplies Inventory	3,194	2,983	0
Fixed Assets	0	0	0
Other Debits			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$958,420	\$571,533	\$1,437,608
Liabilities, Fund Equity and Other Credits			
Liabilities			
Accounts Payable	\$7,867	\$6,237	\$0
Accrued Wages Payable	12,363	2,407	0
Compensated Absences Payable	3,121	1,261	0
Advances From Other Funds	0	0	0
Interfund Payable	0	282	0
Intergovernmental Payable	18,529	6,620	0
Deferred Revenue	527,438	429,957	100,356
Accrued Interest Payable	0	0	522
Loans Payable	0	0	95,100
Police and Fire Pension	0	0	0
Total Liabilities	569,318	446,764	195,978
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Retained Earnings (Deficit)	0	0	0
Fund Balances:			
Reserved for Encumbrances	181	511	0
Reserved for Advances to Other Funds	0	0	16,631
Unreserved, Undesignated	388,921	124,258	1,224,999
Total Fund Equity and Other Credits	389,102	124,769	1,241,630
Total Liabilities, Fund Equity and Other Credits	\$958,420	\$571,533	\$1,437,608

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Obligations		
Internal Service	\$0	\$0	\$0	\$1,607,513
	0	0	0	11,494
	0	0	0	730,507
	0	0	0	2,789
	0	0	0	2,356
	0	0	0	589,812
	0	0	0	16,631
	0	0	0	282
	0	0	0	6,177
	0	2,342,842	0	2,342,842
	0	0	532,824	532,824
	\$0	\$2,342,842	\$532,824	\$5,843,227
	\$0	\$0	\$0	\$14,104
	0	0	0	14,770
	0	0	166,364	170,746
16,631	0	0	0	16,631
0	0	0	0	282
0	0	35,388	0	60,537
0	0	0	0	1,057,751
0	0	0	0	522
0	0	0	0	95,100
0	0	331,072	0	331,072
16,631	0	532,824	0	1,761,515
0	2,342,842	0	0	2,342,842
(16,631)	0	0	0	(16,631)
0	0	0	0	692
0	0	0	0	16,631
0	0	0	0	1,738,178
(16,631)	2,342,842	0	0	4,081,712
\$0	\$2,342,842	\$532,824	\$532,824	\$5,843,227

City of Uhrichsville, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*
All Governmental Fund Types
For the Year Ended December 31, 2003

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Revenues				
Property and Other Taxes	\$244,615	\$78,195	\$99,930	\$422,740
Municipal Income Taxes	1,142,217	0	0	1,142,217
Charges for Services	11,833	9,245	0	21,078
Fines, Licenses and Permits	30,661	13,669	0	44,330
Fines and Forfeitures	17,730	960	0	18,690
Intergovernmental	347,828	590,139	40,886	978,853
Interest	15,579	0	0	15,579
Rent	3,168	0	0	3,168
Other	29,044	6,856	4,902	40,802
<i>Total Revenues</i>	<u>1,842,675</u>	<u>699,064</u>	<u>145,718</u>	<u>2,687,457</u>
Expenditures				
Current:				
General Government	415,677	0	0	415,677
Security of Persons and Property	898,518	71,657	0	970,175
Human Services	5,207	0	0	5,207
Transportation	0	284,976	0	284,976
Leisure Time Activities	0	37,188	0	37,188
Community Environment	0	429,960	0	429,960
Capital Outlay	0	0	519,068	519,068
Debt Service:				
Principal Retirement	4,951	0	0	4,951
Interest and Fiscal Charges	14,229	0	522	14,751
<i>Total Expenditures</i>	<u>1,338,582</u>	<u>823,781</u>	<u>519,590</u>	<u>2,681,953</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>504,093</u>	<u>(124,717)</u>	<u>(373,872)</u>	<u>5,504</u>
Other Financing Sources (Uses)				
Operating Transfers In	0	321,700	0	321,700
Operating Transfers Out	(321,700)	0	0	(321,700)
<i>Total Other Financing Sources (Uses)</i>	<u>(321,700)</u>	<u>321,700</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	182,393	196,983	(373,872)	5,504
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>206,709</u>	<u>(72,214)</u>	<u>1,615,502</u>	<u>1,749,997</u>
<i>Fund Balances End of Year</i>	<u>\$389,102</u>	<u>\$124,769</u>	<u>\$1,241,630</u>	<u>\$1,755,501</u>

See accompanying notes to the general purpose financial statements

City of Uhrichsville, Ohio
*Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget (Non-GAAP Basis) and Actual
 All Governmental Fund Types
 For the Year Ended December 31, 2003*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$260,580	\$260,580	\$0
Municipal Income Taxes	1,195,854	1,195,829	(25)
Charges for Services	14,909	14,909	0
Fines, Licenses and Permits	30,534	30,534	0
Fines and Forfeitures	17,730	17,730	0
Intergovernmental	339,908	339,908	0
Interest	13,519	13,519	0
Rent	3,168	3,168	0
Other	28,775	28,775	0
<i>Total Revenues</i>	<u>1,904,977</u>	<u>1,904,952</u>	<u>(25)</u>
Expenditures			
Current:			
General Government	471,665	418,773	52,892
Security of Persons and Property	915,646	912,972	2,674
Human Services	5,700	5,207	493
Transportation	0	0	0
Leisure Time Activities	0	0	0
Community Environment	0	0	0
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>1,393,011</u>	<u>1,336,952</u>	<u>56,059</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>511,966</u>	<u>568,000</u>	<u>56,034</u>
Other Financing Sources (Uses)			
Proceeds of Loans	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(325,000)	(321,700)	3,300
<i>Total Other Financing Sources (Uses)</i>	<u>(325,000)</u>	<u>(321,700)</u>	<u>3,300</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	186,966	246,300	59,334
<i>Fund Balances (Deficit) Beginning of Year</i>	(18,238)	(18,238)	0
Prior Year Encumbrances Appropriated	211	211	0
<i>Fund Balances End of Year</i>	<u>\$168,939</u>	<u>\$228,273</u>	<u>\$59,334</u>

(continued)

See accompanying notes to the general purpose financial statements

City of Uhrichsville, Ohio
*Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Year Ended December 31, 2003*

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$79,793	\$78,195	(\$1,598)
Municipal Income Taxes	0	0	0
Charges for Services	168,600	180,502	11,902
Fines, Licenses and Permits	13,725	13,669	(56)
Fines and Forfeitures	1,100	960	(140)
Intergovernmental	458,147	415,668	(42,479)
Interest	0	0	0
Rent	0	0	0
Other	6,856	6,856	0
<i>Total Revenues</i>	<u>728,221</u>	<u>695,850</u>	<u>(32,371)</u>
Expenditures			
Current:			
General Government	12,605	0	12,605
Security of Persons and Property	98,950	73,582	25,368
Human Services	0	0	0
Transportation	281,340	278,411	2,929
Leisure Time Activities	39,900	37,332	2,568
Community Environment	405,000	391,360	13,640
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>837,795</u>	<u>780,685</u>	<u>57,110</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(109,574)</u>	<u>(84,835)</u>	<u>24,739</u>
Other Financing Sources (Uses)			
Proceeds of Loans	0	0	0
Operating Transfers In	321,700	321,700	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>321,700</u>	<u>321,700</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	212,126	236,865	24,739
<i>Fund Balances (Deficit) Beginning of Year</i>	(171,674)	(171,674)	0
Prior Year Encumbrances Appropriated	<u>2,365</u>	<u>2,365</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u><u>\$42,817</u></u>	<u><u>\$67,556</u></u>	<u><u>\$24,739</u></u>

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$97,432	\$99,930	\$2,498	\$437,805	\$438,705	\$900
0	0	0	1,195,854	1,195,829	(25)
0	0	0	183,509	195,411	11,902
0	0	0	44,259	44,203	(56)
0	0	0	18,830	18,690	(140)
7,368	40,886	33,518	805,423	796,462	(8,961)
0	0	0	13,519	13,519	0
0	0	0	3,168	3,168	0
0	8,502	8,502	35,631	44,133	8,502
<u>104,800</u>	<u>149,318</u>	<u>44,518</u>	<u>2,737,998</u>	<u>2,750,120</u>	<u>12,122</u>
0	0	0	484,270	418,773	65,497
0	0	0	1,014,596	986,554	28,042
0	0	0	5,700	5,207	493
0	0	0	281,340	278,411	2,929
0	0	0	39,900	37,332	2,568
0	0	0	405,000	391,360	13,640
<u>599,951</u>	<u>519,068</u>	<u>80,883</u>	<u>599,951</u>	<u>519,068</u>	<u>80,883</u>
<u>599,951</u>	<u>519,068</u>	<u>80,883</u>	<u>2,830,757</u>	<u>2,636,705</u>	<u>194,052</u>
<u>(495,151)</u>	<u>(369,750)</u>	<u>125,401</u>	<u>(92,759)</u>	<u>113,415</u>	<u>206,174</u>
95,200	95,100	(100)	95,200	95,100	(100)
0	0	0	321,700	321,700	0
0	0	0	(325,000)	(321,700)	3,300
<u>95,200</u>	<u>95,100</u>	<u>(100)</u>	<u>91,900</u>	<u>95,100</u>	<u>3,200</u>
(399,951)	(274,650)	125,301	(859)	208,515	209,374
1,611,902	1,611,902	0	1,421,990	1,421,990	0
0	0	0	2,576	2,576	0
<u>\$1,211,951</u>	<u>\$1,337,252</u>	<u>\$125,301</u>	<u>\$1,423,707</u>	<u>\$1,633,081</u>	<u>\$209,374</u>

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

Note 1 - Description of the City and Reporting Entity

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

Reporting Entity

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

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 Twin City Water and Sewer District, and the Tuscarawas County Tax Incentive Review Council, which are defined as jointly governed organizations, and the Public Entities Pool of Ohio, which is a shared risk pool. These organizations are presented in Note 14 and 15 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are classified as either governmental or proprietary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund This fund is the operating fund of the City and is used to account 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.

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds These funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Type The proprietary fund is used to account for the City's ongoing activities which are similar to those often found in the private sector. The following is the City's proprietary fund type:

Internal Service Fund The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Account Groups To make a clear distinction between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group This account group is used to account for all fixed assets of the City.

General Long-term Obligations Account Group This account group accounts for all unmatured long-term indebtedness of the City.

B. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental funds.

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 5) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied and the revenue is available. 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: interest, state-levied locally shared taxes, grants and income tax.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures 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 the governmental funds.

C. Budgetary Process

The budgetary process is prescribed by provision of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All of the City's funds are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department and fund. Budgetary modifications at this level may only be made by resolution of the City Council.

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

Tax Budget During the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized property taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the city auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statements reflect the amounts in the amended official certificate of estimated resources in place at the time the final appropriations were passed.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided total fund appropriations do not exceed current estimated resources, as certified. During the year, several supplemental appropriations measures were passed. None, however, were significant in amount. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all amendments and modifications.

Budgeted Level of Expenditure Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. The appropriations set by Council must remain fixed unless amended by Council ordinance.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the object level within each department. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

City of Uhrichsville, Ohio
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The general fund made an advance to the street construction, maintenance and repair special revenue fund to eliminate the fund's negative cash balance. The street construction, maintenance and repair fund has an interfund payable for the amount of the advance received from the general fund and the general fund has an interfund receivable for the same amount on the balance sheet.

During 2003, investments were limited to nonnegotiable certificates of deposit which reported at cost.

Interest revenue credited to the general fund during 2003 amounted to \$15,579 which includes \$13,397 assigned from other City funds.

For presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents.

E. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost when no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Interest cost incurred during the construction of general fixed assets is also not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated.

G. 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 accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2003

and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

H. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources.

I. Interfund Transactions

During the normal course of operations, the City has transactions between funds. Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund, and as reduction of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Fund Equity

Reservations of fund balances are established to identify the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriations or expenditures, including amounts legally segregated for future use. Fund balances are reserved for encumbrances.

K. 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.

L. Totals (Memorandum Only) Columns

Totals columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

Note 3 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	\$182,393	\$196,983	(\$373,872)
Net Adjustment for Revenue Accruals	62,277	35,386	3,600
Loan Proceeds	0	0	95,100
Net Adjustment for Expenditure Accruals	2,697	5,986	522
Encumbrances	(1,067)	(1,490)	0
Budget Basis	\$246,300	\$236,865	(\$274,650)

Note 4 - Deposits and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Uhrichville, Ohio
Notes to the General Purpose Financial Statements
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The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the City's deposits was \$1,619,007 and the bank balance was \$1,668,579. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$1,468,579 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Funds Held by Fiscal Agent Until September 1, 2001, the City participated in the Health Benefits Plan, a claims servicing pool. The amount held at year end for the city was \$(16,631).

Investments The City's investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. The City had no investments during the year 2003.

Note 5 – Receivables

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A. Property Tax

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represent collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2003 public utility property taxes which became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are at twenty-five percent of true value for capital assets and 23 percent for inventory.

The full tax rate for all City operations for the year ended December 31, 2003, was \$9.58 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

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

<u>Category</u>	<u>Assessed Value</u>
Real Estate Property	\$46,956,790
Public Utility Property	2,215,730
Tangible Personal Property	<u>6,054,050</u>
Total Assessed Value	<u><u>\$55,226,570</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Uhrichsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which became measurable as of December 31, 2003, and for which there is an enforceable legal claim. Although property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2003 operations. The receivable is offset by deferred revenue.

B. Income Tax

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

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

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

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

Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables is as follows:

General Fund:	
Local Government	\$171,208
Hotel Tax	75
Homestead and Rollback	15,881
Tax Refund	16,646
Payment for Fire Calls	844
Total General Fund	204,654
Special Revenue Funds:	
Gasoline Tax	59,485
Motor Vehicle License Tax	77,482
Homestead and Rollback	6,909
Home Grant	234,872
Bulletproof Vests Grant	391
Total Special Revenue Funds	379,139
Capital Projects Fund:	
Homestead and Rollback	6,019
Grand Total	\$589,812

Note 6 – Fixed Assets

A summary of changes in general fixed assets during 2003 follows:

	Balance January 1, 2003	Additions	Deductions	Balance December 31, 2003
Land and Improvements	\$545,721	\$0	\$0	\$545,721
Buildings	293,510	0	0	293,510
Machinery and Equipment	601,467	1,600	1,378	601,689
Vehicles	711,867	222,437	32,382	901,922
Total	\$2,152,565	\$224,037	\$33,760	\$2,342,842

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

Note 7 – Loans Payable

A summary of the City’s loan activity for the year ended December 31, 2003, were as follows:

	Outstanding January 1, 2003	Issued	Retired	Outstanding December 31, 2003
<i>Capital Projects Fund :</i>				
\$47,600 (Maturity Date - 10/23/04) 3.3%	\$0	\$47,600	\$0	\$47,600
\$47,600 (Maturity Date - 10/23/05) 3.3%	0	47,500	0	47,500
<i>Total</i>	<u>\$0</u>	<u>\$95,100</u>	<u>\$0</u>	<u>\$95,100</u>

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

Note 8 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2003, were as follows:

	Outstanding January 1, 2003	Additions	Deletions	Outstanding December 31, 2003
Compensated Absences	\$151,380	\$14,984	\$0	\$166,364
Intergovernmental Payable	33,225	35,388	33,225	35,388
Police and Fire Pension	336,023	0	4,951	331,072
<i>Total General Long-Term Obligation</i>	<u>\$520,628</u>	<u>\$50,372</u>	<u>\$38,176</u>	<u>\$532,824</u>

Compensated absences reported in the “compensated absences payable” account will be paid from the fund from which the employees’ salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid. The police and fire pension liability will be paid from taxes received in the general fund. The City's overall legal debt margin was \$4,779,991 at December 31, 2003. The unvoted legal debt margin was \$55,227. Principal and interest requirements to retire the long-term debt obligation outstanding at December 31, 2003, are as follows:

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2003

Year	Police and Fire Pension
2004	\$19,180
2005	19,180
2006	19,180
2007	19,180
2008	19,180
2009-2013	95,898
2014-2018	95,898
2019-2023	95,898
2024-2028	95,898
2029-2033	95,898
2034-2035	27,909
Total Principal and Interest	603,299
Less: Interest	(272,227)
Total Principal Outstanding	\$331,072

Note 9 - Risk Management

The City participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The City pays an annual premium of \$35,796 to the pool for various types of insurance coverage. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2003, the City purchased the following insurance coverage:

Coverage	Limit
Appeal Bonds	Unlimited
Bail Bonds	Unlimited
Bonds to Release Property	Unlimited
Claim and Defense Expenses	Unlimited
Covered Pollution Cost or Expense for Automobiles	\$3,000,000
Employee Benefit Liability	1,000,000
Employment Expense	100,000
Good Samaritan	3,000,000
Injunctive Relief	25,000
	(continued)

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2003

Legal Liability for Third Pary Claims	\$3,000,000
Automobile Liability	3,000,000
Law Enforcement Operations	3,000,000
Wrongful Acts	3,000,000
Medical Expenses - Automobile	5,000
Medical Expenses - Other than Automobile	5,000
Medical Malpractice	3,000,000
Member Expenses	10,000
Post-Judgement Interest	Unlimited
Pre-Judgement Interest	Unlimited
Stop Gap	3,000,000
Uninsured Motorists	1,000,000
Underinsured Motorists	1,000,000
Broad Legal Defense	5,000
Moral Obligation to Pay	2,500
Public Health Department	No Benefit
Pollution Liability Benefits	
Chlorine	3,000,000
Fire Department Training Activities	500,000
Fire Departments	500,000
Pesticides	No Benefit
Anti-Skid Material Storage and Application	3,000,000
Sewer Backup	250,000
Temporary Deposit Site	No Benefit
Underground Gasoline, Diesel and Fuel Oil	55,000
Storage Tanks	55,000

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

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

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

Note 10 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for City was 8.55 percent of covered payroll. Contributions are authorized by State statute. The City's required contributions to OPERS for the years ended December 31, 2003, 2002, and 2001 were \$22,235, \$21,136, and \$20,821, respectively. The full amount has been contributed for 2002 and 2001. 76.43 percent has been contributed for 2003 with the remainder being reported as a liability in the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 11.75 percent for police and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$32,004 and \$44,846 for the year ended December 31, 2003, \$31,747 and \$41,569 for the year ended December 31, 2002 and \$30,246 and \$40,463 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 72.03 percent and 71.51 percent, respectively, have been contributed for 2003 with the remainder being reported as a liability in the general long-term obligations account group.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2003, the unfunded liability of the City was \$331,072 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

C. Social Security System

As of December 31, 2003, four of the Council members have elected to be covered by Social Security rather than OPERS. The Council's liability is 6.2 percent of wages paid.

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

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System of Ohio (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for 2003.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants was 364,881. The City's actual contributions for 2003 which were used to fund postemployment benefits were \$13,003. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

B. Ohio Police and Fire Pension Fund

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

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

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$13,527 for police and \$10,396 for fire. OP&F's total health care expenses for the year ended December 31, 2002, (the

City of Uhrichsville, Ohio
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latest information available) were \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

Note 12 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn three to six weeks of vacation per year, depending on length of service. Union employees, except firefighters and police, may use accumulated vacation after the completion of one year of service with the City. Upon termination of service, an employee is entitled to receive payment for any unused vacation time plus accrued vacation time earned during the year but not yet credited to vacation leave balance. No employee of the City is entitled to carry forward any vacation time.

Employees earn sick leave at a rate of 4.6 days per eighty hours of service. Unused sick leave accumulates without limit. Upon retirement or death, non-union employees and police employees with five years of service but less than ten years of service can be paid one-fourth of the outstanding sick leave accumulated up to 45 days. Non-union employees and police employees with more than ten years of service can be paid one-half of the outstanding sick leave accumulated up to 90 days. Upon retirement or death, firefighters with five years of service but less than ten years of service can be paid one days pay for every four days of accumulated sick leave, not to exceed payment of 1,084 hours. Firefighters with more than ten years of service can be paid one days pay for every two days of accumulated sick leave, not to exceed payment of 2,160 hours. As of December 31, 2003, the total liability for unpaid compensated absences was \$170,746.

B. Health Insurance

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

C. Life and Accidental Death and Dismemberment Insurance

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

Note 13 - 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.

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

B. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2003.

Note 14 - Jointly Governed Organizations

A. Community Improvement Corporation of Tuscarawas County (Corporation)

The sole purpose of the Corporation is to advance, encourage and promote the industrial, economic, commercial and civic development of the area. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and fifteen self-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 2003, no monies were received from the City.

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

The Cemetery is a jointly governed organization organized under Ohio Revised Code Section 759.27, and is directed by an appointed three-member board. Uhrichsville, Dennison and Union Township each appoint one member to the board. The continued existence of the Cemetery is not dependent on the City's participation. The Cemetery provides burial services and the upkeep of the grounds at the cemetery. During 2003, no monies were received from the City.

C. Twin City Water and Sewer District (District)

The District is a jointly governed organization organized under Ohio Revised Code Section 6119.01, and is established to supply water and to provide for the collection, treatment and disposal of waste water within the Uhrichsville-Dennison district, or beyond with additional fees. The cities of Uhrichsville and Dennison each appoint two of the five District's board members. The fifth board member is appointed by the other four board members. During 2003, no monies were received from the City.

D. Tuscarawas County Tax Incentive Review Council (TCTIRC)

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

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

measurable equity interest exists. The City does not retain an ongoing financial interest or an ongoing financial responsibility with this organization. During 2003, no monies were received from the City.

Note 15 – Shared Risk Pool

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

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

Note 16 – Interfund Receivable/Payable

The balances for interfund payable and receivable at December 31, 2003, consisted of a \$282 receivable in the general fund and a \$282 payable in the street construction, maintenance and repair fund.

The balances for advances to/from other funds at December 31, 2003, consisted of a \$16,631 receivable in the permanent improvement capital projects funds and a \$16,631 payable in the internal service fund.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

July 20, 2004

Mayor and Members of Council
City of Uhrichsville
Uhrichsville, OH 44683

Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards

We have audited the general purpose financial statements of the City of Uhrichsville (the "City") as of and for the year ended December 31, 2003, and have issued our report thereon dated July 20, 2004 in which we expressed no opinion on the Internal Service Fund Type financial statements because we were unable to obtain sufficient information related to the City's health insurance plan. Except for our procedures related to the Internal Service Fund Type, 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.

Compliance

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-01 and 2003-02.

City of Uhrichsville
Independent Auditor's Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of General Purpose Financial Statements
Performed in Accordance with Government Auditing Standards
July 20, 2004
Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-001 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 20, 2004.

This report is intended for the information and use of the Mayor, City Council, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

July 20, 2004

Mayor and Members of Council
City of Uhrichsville
Uhrichsville, OH 44683

Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the City of Uhrichsville (the "City") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2003. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Uhrichsville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the City in a separate letter dated July 20, 2004.

City of Uhrichsville
Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133
July 20, 2004
Page 2

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted matters involving internal control over federal grant administration that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 20, 2004.

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

Hea & Associates, Inc.

CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entry Number	Grant Award	Receipts	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
<i>Passed Through Ohio Department of Development</i>					
Community Development Block Grant Programs	14.228	A-C-00-188-1		\$ 0	\$ 1,357
	14.228	A-C-02-188-2	\$ 130,000	57,793	66,349
	14.228	A-P-00-188-1	200,000	133,900	146,505
				<u>191,693</u>	<u>214,211</u>
<i>Passed Through Tuscarawas County</i>					
Community Development Block Grant Programs	14.228	B-F-02-072-1	38,600	38,600	38,600
Total Community Development Block Grant Programs				<u>230,293</u>	<u>252,811</u>
<i>Passed Through Ohio Department of Development</i>					
Home Improvement Partnership Program	14.239	A-C-02-188-2	370,000	175,038	175,023
Total U.S. Department of Housing and Urban Development				<u>405,331</u>	<u>427,834</u>
U.S. DEPARTMENT OF JUSTICE:					
Bulletproof Vest Partnership Program	16.607	N/A		<u>938</u>	<u>391</u>
Total Federal Awards				<u>\$ 406,269</u>	<u>\$ 428,225</u>

CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified with a disclaimer on Internal Service Fund
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Community Development Block Grant - CFDA #14.228
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
DECEMBER 31, 2003

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

Material Control Weakness

FINDING NUMBER	2003-001
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*Health Insurance – Third Party Administrator

The City was a member of a self-insurance pool (the pool) administered by Medical Benefits Administrators, Inc. (MBA) from October 1994 until September 2001. The Tuscarawas County Union Cemetery (Cemetery) and Twin City Water and Sewer District (District) were also pool participants from October 1994 until February 2001. For the first several years of the plan, the activity from the respective participants was commingled within one account with no distinction made for their respective contributions and claims payments. In addition, the City did not receive an accounting from MBA of transactions to closeout its account nor did it receive notice of any payable or receivable resulting from the plan closeout. As a result, the City could not determine the amount of its over/under funding of medical and prescription claims. As of the date of this report, the City has not investigated and obtained evidence to determine whether or by what amount it has over/under funded medical and prescription claims.

The Mayor and City Council, in cooperation with the City Auditor, should contact MBA and request a history of the City's contributions allotted for medical and prescription claims dating back to the inception of the pool's contract to determine whether the City cumulatively over/under funded the plan. The City should take appropriate action based on its findings. The City should also consider the need to employ a firm (a reputable firm registered and in good standing with its respective state's accountancy board) to perform a health claims audit of the City's plan. The City should review current and future agreements for third-party administrator services. Such agreements should structure the plan and include provisions so the City can be reasonably assured it is only billed for claims arising from its covered employees and that those claims are billed in accordance with the benefits provided for in the plan. This will help ensure the City has only paid insurance related costs solely for City employees versus funding the insurance related costs of the other pool participants.

Reportable Condition

FINDING NUMBER	2003-002
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*Policy and Procedure Manual

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

**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
DECEMBER 31, 2003**

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE	
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CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Health Insurance Third Party Administrator – The City’s third party administrator of health insurance benefits was unable to provide evidence that the City’s contributions allotted for medical and prescription claims were solely applied to claims arising from City employees.	No	Not Corrected – See Schedule of Findings and Questioned Costs 2003-001
2002-002	City Council Report Package Approval – City Council did not formally approve the monthly report packages submitted by the City Auditor during 2002	Yes	Fully Corrected – Council is approving report package monthly.
2002-003	Policy and Procedure Manual – The City does not have written policies which detail the City’s financial and human resources procedures.	No	Not Corrected – See Schedule of Findings and Questioned Costs 2003-002

CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
FOR THE YEAR ENDED DECEMBER 31, 2003

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The City plans to contact MBA and request a history of the City's contributions allotted for medical and prescription claims dating back to the inception of the self-insurance pool's contract to determine whether the City cumulatively over/under funded the plan.	12/31/04	Joanne Dunlap, City Auditor
2003-002	The City plans to develop a policy and procedure manual.	12/31/04	Joanne Dunlap, City Auditor



**Auditor of State
Betty Montgomery**

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CITY OF UHRICHVILLE

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED

MARCH 15, 2005