



**CITY OF UHRICHVILLE
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF UHRICHVILLE
TUSCARAWAS COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Uhrichsville
Tuscarawas County
305 East Second Street
Uhrichsville, Ohio 44683

To the Honorable Mayor and City Council:

We have audited the accompanying general purpose financial statements of the City of Uhrichsville, Tuscarawas County, Ohio, (the City) as of and for the year ended December 31, 2001, as listed in the Table of Contents. These general purpose 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The City delegates employee's health insurance claims processing to a third-party administrator. The third-party administrator was not able to provide certain accounting records related to the employee's health insurance program. Due to the lack of accounting records, 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 financial statements referred to above present fairly, in all material respects, the financial position of the City of Uhrichsville, Tuscarawas County, Ohio, as of December 31, 2001, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As reflected within Note 3, effective January 1, 2001, the City adopted Governmental Accounting Standards Board Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2002 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 an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the City, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for 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. We subjected this information 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized and cursive, with a large loop at the end.

Jim Petro
Auditor of State

September 9, 2002

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City of Uhrichsville, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$0	\$47,481	\$1,067,709
Cash and Cash Equivalents in Segregated Accounts	0	48,220	0
Receivables:			
Taxes	911,666	79,704	94,196
Accounts	14,854	0	0
Accrued Interest	460	0	0
Intergovernmental	171,600	475,801	5,735
Advances to Other Funds	0	0	784,497
Materials and Supplies			
Inventory	2,892	5,907	0
Fixed Assets	0	0	0
Other Debits			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$1,101,472	\$657,113	\$1,952,137
Liabilities, Fund Equity and Other Credits			
Liabilities			
Accounts Payable	\$20,662	\$5,292	\$0
Accrued Wages Payable	7,087	1,501	0
Compensated Absences Payable	4,787	820	0
Advances From Other Funds	95,311	672,555	0
Intergovernmental Payable	4,952	869	0
Deferred Revenue	813,006	469,283	99,931
Police and Fire Pension	0	0	0
General Obligation Bonds Payable	0	0	0
Total Liabilities	945,805	1,150,320	99,931
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Retained Earnings (Deficit):			
Unreserved	0	0	0
Fund Balances (Deficit):			
Reserved for Encumbrances	10,389	1,603	0
Reserved for Inventory	2,892	5,907	0
Reserved for Advances to Other Funds	0	0	784,497
Unreserved, Undesignated	142,386	(500,717)	1,067,709
Total Fund Equity (Deficit) and Other Credits	155,667	(493,207)	1,852,206
Total Liabilities, Fund Equity and Other Credits	\$1,101,472	\$657,113	\$1,952,137

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	\$1,115,190
	0	0	0	48,220
	0	0	0	1,085,566
	0	0	0	14,854
	0	0	0	460
	0	0	0	653,136
	0	0	0	784,497
	0	0	0	8,799
	0	2,058,992	0	2,058,992
	0	0	536,683	536,683
	<u>\$0</u>	<u>\$2,058,992</u>	<u>\$536,683</u>	<u>\$6,306,397</u>
	\$0	\$0	\$0	\$25,954
	0	0	0	8,588
	0	0	146,283	151,890
16,631	0	0	0	784,497
0	0	41,130	0	46,951
0	0	0	0	1,382,220
0	0	340,770	0	340,770
0	0	8,500	0	8,500
16,631	0	536,683	0	2,749,370
0	2,058,992	0	0	2,058,992
(16,631)	0	0	0	(16,631)
0	0	0	0	11,992
0	0	0	0	8,799
0	0	0	0	784,497
0	0	0	0	709,378
(16,631)	2,058,992	0	0	3,557,027
<u>\$0</u>	<u>\$2,058,992</u>	<u>\$536,683</u>	<u>\$536,683</u>	<u>\$6,306,397</u>

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City of Uhrichsville, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2001*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Revenues				
Property and Other Taxes	\$179,470	\$79,418	\$84,178	\$343,066
Municipal Income Taxes	1,104,282	0	0	1,104,282
Charges for Services	16,183	13,864	0	30,047
Fines, Licenses and Permits	89,994	2,523	0	92,517
Intergovernmental	356,730	592,138	103,382	1,052,250
Interest	30,904	0	0	30,904
Rent	3,197	0	0	3,197
Other	39,236	4,893	10,000	54,129
<i>Total Revenues</i>	<u>1,819,996</u>	<u>692,836</u>	<u>197,560</u>	<u>2,710,392</u>
Expenditures				
Current:				
General Government	377,954	179,839	0	557,793
Security of Persons and Property	767,641	72,489	0	840,130
Human Services	6,044	0	0	6,044
Transportation	0	223,799	0	223,799
Community Environment	0	276,447	0	276,447
Leisure Time Activities	0	30,091	0	30,091
Capital Outlay	0	0	384,496	384,496
Debt Service:				
Principal Retirement	4,551	0	12,000	16,551
Interest and Fiscal Charges	14,629	0	3,018	17,647
<i>Total Expenditures</i>	<u>1,170,819</u>	<u>782,665</u>	<u>399,514</u>	<u>2,352,998</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>649,177</u>	<u>(89,829)</u>	<u>(201,954)</u>	<u>357,394</u>
Other Financing Sources (Uses)				
Operating Transfers In	0	210,000	0	210,000
Operating Transfers Out	(210,000)	0	0	(210,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(210,000)</u>	<u>210,000</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>439,177</u>	<u>120,171</u>	<u>(201,954)</u>	<u>357,394</u>
<i>Fund Balances (Deficit) Beginning of Year (Restated - See Note 3)</i>	<u>(282,840)</u>	<u>(616,342)</u>	<u>2,054,160</u>	<u>1,154,978</u>
Increase (Decrease) in Reserve for Inventory	<u>(670)</u>	<u>2,964</u>	<u>0</u>	<u>2,294</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$155,667</u>	<u>(\$493,207)</u>	<u>\$1,852,206</u>	<u>\$1,514,666</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, 2001*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Property and Other Taxes	\$190,000	\$179,470	(\$10,530)
Municipal Income Taxes	950,000	1,123,058	173,058
Charges for Services	14,000	13,240	(760)
Fines, Licenses and Permits	66,300	74,687	8,387
Intergovernmental	366,400	351,039	(15,361)
Interest	40,000	33,127	(6,873)
Rent	3,000	3,197	197
Other	38,000	38,080	80
<i>Total Revenues</i>	<u>1,667,700</u>	<u>1,815,898</u>	<u>148,198</u>
Expenditures			
Current:			
General Government	432,069	376,418	55,651
Security of Persons and Property	858,520	827,127	31,393
Human Services	6,400	6,044	356
Transportation	0	0	0
Community Environment	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	4,551	4,551	0
Interest and Fiscal Charges	14,629	14,629	0
<i>Total Expenditures</i>	<u>1,316,169</u>	<u>1,228,769</u>	<u>87,400</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>351,531</u>	<u>587,129</u>	<u>235,598</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	(352,300)	(210,000)	142,300
<i>Total Other Financing Sources (Uses)</i>	<u>(352,300)</u>	<u>(210,000)</u>	<u>142,300</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(769)	377,129	377,898
<i>Fund Balances (Deficit) Beginning of Year</i>	(484,129)	(484,129)	0
Prior Year Encumbrances Appropriated	769	769	0
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$484,129)</u>	<u>(\$106,231)</u>	<u>\$377,898</u>

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$77,000	\$79,418	\$2,418	\$83,150	\$84,178	\$1,028
0	0	0	0	0	0
19,000	15,175	(3,825)	0	0	0
2,500	2,634	134	0	0	0
1,046,158	633,922	(412,236)	14,350	103,382	89,032
0	0	0	0	0	0
0	0	0	0	0	0
1,000	4,893	3,893	14,422	10,000	(4,422)
<u>1,145,658</u>	<u>736,042</u>	<u>(409,616)</u>	<u>111,922</u>	<u>197,560</u>	<u>85,638</u>
575,000	179,839	395,161	0	0	0
117,758	82,951	34,807	0	0	0
0	0	0	0	0	0
245,031	236,928	8,103	0	0	0
300,000	276,447	23,553	0	0	0
39,900	30,287	9,613	0	0	0
0	0	0	553,278	516,757	36,521
0	0	0	12,000	12,000	0
0	0	0	3,018	3,018	0
<u>1,277,689</u>	<u>806,452</u>	<u>471,237</u>	<u>568,296</u>	<u>531,775</u>	<u>36,521</u>
<u>(132,031)</u>	<u>(70,410)</u>	<u>61,621</u>	<u>(456,374)</u>	<u>(334,215)</u>	<u>122,159</u>
45,000	210,000	165,000	0	0	0
0	0	0	0	0	0
<u>45,000</u>	<u>210,000</u>	<u>165,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
(87,031)	139,590	226,621	(456,374)	(334,215)	122,159
(721,014)	(721,014)	0	2,163,817	2,163,817	0
31	31	0	22,604	22,604	0
<u>(\$808,014)</u>	<u>(\$581,393)</u>	<u>\$226,621</u>	<u>\$1,730,047</u>	<u>\$1,852,206</u>	<u>\$122,159</u>

(continued)

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, 2001*

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Taxes	\$350,150	\$343,066	(\$7,084)
Municipal Income Taxes	950,000	1,123,058	173,058
Charges for Services	33,000	28,415	(4,585)
Licenses, Permits and Fees	68,800	77,321	8,521
Intergovernmental	1,426,908	1,088,343	(338,565)
Interest	40,000	33,127	(6,873)
Rent	3,000	3,197	197
Other	53,422	52,973	(449)
<i>Total Revenues</i>	<u>2,925,280</u>	<u>2,749,500</u>	<u>(175,780)</u>
Expenditures			
Current:			
General Government:			
Security of Persons and Property	1,007,069	556,257	450,812
Human Services	976,278	910,078	66,200
Transportation	6,400	6,044	356
Community Environment	245,031	236,928	8,103
Leisure Time Activities	300,000	276,447	23,553
Capital Outlay	39,900	30,287	9,613
Debt Service:	553,278	516,757	36,521
Principal Retirement	16,551	16,551	0
Interest and Fiscal Charges	17,647	17,647	0
<i>Total Expenditures</i>	<u>3,162,154</u>	<u>2,566,996</u>	<u>595,158</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(236,874)</u>	<u>182,504</u>	<u>419,378</u>
Other Financing Sources (Uses)			
Operating Transfers In	45,000	210,000	165,000
Operating Transfers Out	(352,300)	(210,000)	142,300
<i>Total Other Financing Sources (Uses)</i>	<u>(307,300)</u>	<u>0</u>	<u>307,300</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(544,174)</u>	<u>182,504</u>	<u>726,678</u>
<i>Fund Balances (Deficit) Beginning of Year</i>	958,674	958,674	0
Prior Year Encumbrances Appropriated	23,404	23,404	0
<i>Fund Balances (Deficit) End of Year</i>	<u>\$437,904</u>	<u>\$1,164,582</u>	<u>\$726,678</u>

See accompanying notes to the general purpose financial statements

City of Uhrichsville, Ohio
*Statement of Revenues,
Expenses and Changes in Retained Earnings
Internal Service Fund
For the Year Ended December 31, 2001*

	<u>Self Insurance</u>
Operating Revenues	
Charges for Services	\$156,203
Operating Expenses	
Contractual Services	46,573
Claims	82,615
Other	193
<i>Total Operating Expenses</i>	129,381
<i>Operating Income</i>	26,822
<i>Retained Earnings (Deficit) Beginning of Year</i>	(43,453)
<i>Retained Earnings (Deficit) End of Year</i>	(\$16,631)

See accompanying notes to the general purpose financial statements

City of Uhrichsville, Ohio
Statement of Cash Flows
Internal Service Fund
For the Year Ended December 31, 2001

	<u>Self Insurance</u>
<i>Increase (Decrease) in</i>	
<i>Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Quasi-External Transactions With Other Funds	\$156,203
Cash Payments for Goods and Services	(46,573)
Other Cash Payments	(193)
Cash Payments for Claims	(96,892)
 <i>Net Cash Provided by Operating Activities</i>	 12,545
Cash Flows from	
Noncapital Financing Activities:	
<i>Advances Out</i>	(12,545)
<i>Net Increase in</i>	
<i>Cash and Cash Equivalents</i>	0
<i>Cash and Cash Equivalents Beginning of Year</i>	0
 <i>Cash and Cash Equivalents End of Year</i>	 \$0

Reconciliation of Operating Income to
Net Cash Provided by Operating Activities

Operating Income	\$26,822
Adjustments:	
Decrease in Claims Payable	(14,277)
 <i>Net Cash Provided by Operating Activities</i>	 \$12,545

See accompanying notes to the general purpose financial statements

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

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 5,600. 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 City Council (Council) and Mayor.

On August 6, 1998, the Auditor of State's office declared the City of Uhrichsville to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations and two representatives from the State of Ohio. This Commission was required to adopt a financial recovery plan for the City, and the plan must be updated annually. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be in accordance with the plan.

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 parks 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 with the Health Benefits Plan, a claims serving pool. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

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 City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not contradict or conflict with GASB pronouncements. 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.

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 grouped into the governmental fund types, proprietary fund type and account group categories.

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.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

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.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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. The full accrual basis of accounting is followed for the proprietary fund.

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 in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 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

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2001

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 a modified accrual basis, revenue from non-exchange 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: 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, 2001, but which were levied to finance year 2002 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.

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 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 restrictions that appropriations cannot exceed estimated resources, as certified. All of the City's funds are legally required to be budgeted and appropriated. Budgetary information for the self insurance internal service fund is not reported because it is not included in the entity for which the "appropriated budget" is adopted, and the City does not maintain budgetary financial records. The legal level of budgetary control is at the object level within each department and fund. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

City of Uhrichsville, Ohio
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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 final amended official certificate of estimated resources issued during 2001.

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. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of Council. 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, 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.

The general fund, the street construction, maintenance and repair special revenue fund and the self insurance internal service fund had a negative cash balance at December 31, 2001. The capital improvements capital projects fund previously made advances to these funds to eliminate the negative cash balances. The general fund, the street construction, maintenance and repair special revenue fund and the self insurance internal service fund have advances from other funds of \$95,311, \$672,555 and \$16,631, respectively. The capital improvements capital projects fund has a corresponding advances to other funds of \$784,497 on the combined balance sheet.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

During 2001, investments were limited to money market accounts and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. The general fund did not have a positive cash balance during 2001; the general fund did not earn any interest. Therefore, the \$30,904 credited to the general fund during 2001 was earned by other City funds.

For presentation on the combined balance sheet and the statement of cash flows 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

Inventory is stated at cost on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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 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. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

H. Interfund Assets and Liabilities

Long-term interfund loans are reported as "advance to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute "available expendable resources" since they are not a component of net current assets.

I. 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 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.

J. 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, claims and judgements, compensated absences, special termination benefits 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. Bonds are recognized as a liability of the general long-term obligations account group until due.

K. 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.

L. 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

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

appropriations or expenditures, including amounts legally segregated for future use. Fund balances are reserved for encumbrances, inventory and advances to other funds.

M. 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.

N. 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.

Note 3 - Changes in Accounting Principles and Restatement of Prior Year's Fund Balance

Changes in Accounting Principles For fiscal year 2001, the City has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", and GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

This change in accounting principle had the following effect on fund balance at December 31, 2000:

	General Fund	Special Revenue Funds	Capital Projects Funds
Fund Balance (Deficit) at December 31, 2000	(\$286,181)	(\$735,611)	\$2,054,160
GASB 33 Adjustments:			
Understatement of Municipal Income Tax Receivable	250,810	0	0
Understatement of Intergovernmental Receivable	123,029	643,567	5,691
Understatement of Deferred Revenue	(370,498)	(524,298)	(5,691)
Adjusted Fund Balance (Deficit) at December 31, 2000	(\$282,840)	(\$616,342)	\$2,054,160

The understatement of the receivables affected both revenue and deferred revenue. The increase in revenue increased the fund balances.

Note 4- Accountability and Legal Compliance

A. Fund Deficits

The street construction, maintenance and repair special revenue fund concluded 2001 with a deficit balance of \$647,225. The City was placed in a state of fiscal emergency under Ohio Revised Code Section 180.03 by the Auditor of State in 1998. The deficit in the street construction, maintenance and repair special revenue fund is a result of the City's current financial difficulty. A seven-member Financial Planning and Supervision Commission (Commission) is in place to oversee all fiscal decisions and activities of the City. The Commission's duties include monitoring the City's progress in implementing a financial recovery plan to eventually eliminate the deficit.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

B. Legal Compliance

Ohio Revised Code Section 5705.41 (D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances. Cit Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- If the amount involved is less than \$1,000, the City Auditor may authorize payment through a Then and Now Certificate without affirmation of City Council.

During 2001, 57% of expenditures tested were not certified by the City Auditor prior to incurring the commitment. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The City Auditor should inform all City employees of the requirements of Ohio Revised Code Section 5705,41(D). The City should implement the use of so called Then and Now Certificates and blanket certificates as further permitted by Ohio Revised Code Section 5705.41. However, such certificates should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

Ohio Revised Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2001, object level expenditures exceeded appropriations in the Capital Improvements fund as follows:

Month/Object	Appropriations (Rounded)	Expenditures (Rounded)	Excess (Rounded)
<i>August:</i> Street Services - Blacktopping Project	\$200,000	\$318,000	\$118,000
<i>September:</i> Park Improvement Loan Payment	200,000	324,000	124,000
<i>October:</i> Street Services - Tree Removal	200,000	327,000	127,000
<i>October:</i> Park Pool Improvement	200,000	327,000	127,000
<i>November:</i> Street Services - Blacktopping Project	200,000	347,000	147,000

City of Uhrichsville, Ohio
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The City Auditor should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level, the City's legal level of budgetary control, to avoid potential overspending.

Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 states that except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of City Council members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

During 2001, the City transferred \$200,000 and \$10,000 from the General Fund to the Special Revenue Street Construction, Maintenance and Repair Fund and the Special Revenue Park and Recreation Fund, respectively, without a resolution passed by a simple majority of City Council. City Council should adopt a resolution stating the transfer amounts and funds affected. This will help ensure transfers are valid and properly authorized. City Council retroactively approved these transfers on March 14, 2002 (Resolution No. 1477).

The City had negative cash balances in the following funds indicating that revenues from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10:

General Fund	\$95,311
Street Construction, Maintenance and Repair Special Revenue Fund	672,555

Note 5 - 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.

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Excess of Revenues Over (Under) Expenditures
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	\$439,177	\$120,171	(\$201,954)
Net Adjustment for			
Revenue Accruals	(4,098)	43,206	0
Net Adjustment for			
Expenditures Accruals	(47,316)	(19,248)	(132,261)
Encumbrances	(10,634)	(4,539)	0
Budget Basis	\$377,129	\$139,590	(\$334,215)

Note 6 - Deposits and Investments

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two 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

City of Uhrichsville, Ohio
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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.

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 \$1,163,410 and the bank balance was \$1,214,588. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$1,114,588 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.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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.

City of Uhrichsville, Ohio
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The City had no investments during the year 2001.

Note 7 - Receivables

Receivables at December 31, 2001, 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 2001 for real and public utility property taxes represent collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) are for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

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. 2001 public utility property taxes which became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are at twenty-five percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001, was \$9.28 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Real Estate	\$46,666,090
Public Utility Property	2,166,240
Tangible Personal	6,148,780
Total Assessed Value	<u><u>\$54,981,110</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.

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2001

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, 2001, and for which there is an enforceable legal claim. Although total 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 2001 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.

C. Intergovernmental Receivables

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

General Fund:	
Local Government	\$148,434
Estate Tax	6,641
Homestead and Rollback	<u>16,525</u>
Total General Fund	<u>171,600</u>
Special Revenue Funds:	
Gasoline Tax	52,741
Motor Vehicle License Tax	37,277
Homestead and Rollback	4,810
CDBG Grant	44,279
Home Grant	202,794
Disaster Relief Grant	<u>133,900</u>
Total Special Revenue Funds	<u>475,801</u>
Capital Projects Funds:	
Homestead and Rollback	<u>5,735</u>
Grand Total	<u><u>\$653,136</u></u>

City of Uhrichsville, Ohio
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Note 8 – Fixed Assets

A summary of changes in general fixed assets during 2001 follows:

	Balance January 1, 2001	Additions	Deductions	Balance December 31, 2001
Land and Improvements	\$462,739	\$82,982	\$0	\$545,721
Buildings	293,510	0	0	293,510
Machinery and Equipment	559,359	51,979	18,183	593,155
Vehicles	640,515	0	13,909	626,606
Total	<u>\$1,956,123</u>	<u>\$134,961</u>	<u>\$32,092</u>	<u>\$2,058,992</u>

Note 9 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2001, were as follows:

	Outstanding 01/01/01	Additions	Reductions	Outstanding 12/31/01
Compensated Absences	\$139,246	\$7,037	\$0	\$146,283
Intergovernmental Payable	42,203	41,130	42,203	41,130
Police and Fire Pension	345,321	0	4,551	340,770
General Obligation Bonds				
1997-6.05% Swimming Pool - \$35,000	10,500	0	7,000	3,500
1997-6.10% Service Truck - \$25,000	10,000	0	5,000	5,000
<i>Total General Long-Term Obligations</i>	<u>\$547,270</u>	<u>\$48,167</u>	<u>\$58,754</u>	<u>\$536,683</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. General obligation bonds will be repaid from income tax revenues that were received into the capital improvements capital projects fund.

The City's overall legal debt margin was \$4,948,300 at December 31, 2001. The unvoted legal debt margin was \$54,981. Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2001, are as follows:

City of Uhrichsville, Ohio
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Year	Police and Fire Pension	General Obligation Bonds
2002	\$19,180	\$8,712
2003	19,180	0
2004	19,180	0
2005	19,180	0
2006	19,180	0
2007-2011	95,898	0
2012-2016	95,898	0
2017-2021	95,898	0
2022-2026	95,898	0
2027-2031	95,898	0
2032-2035	85,449	0
Total Principal and Interest	660,839	8,712
Less Interest	(320,069)	(212)
Total Principal Outstanding	<u>\$340,770</u>	<u>\$8,500</u>

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City pays an annual premium of \$35,976 to the Municipal Insurance Alliance, Gulf Insurance Group, for the following:

Coverage	Limit
Property	\$1,129,600
Crime/Bonds	
Theft	20,000
Employee Dishonesty	100,000
Liability	2,000,000
General Aggregate	2,000,000
Products/Completed Operations	2,000,000
Personal/Advertising Injury	2,000,000
Each Occurrence	50,000
Fire Damage	10,000
Medical Expense	1,000,000
Bodily Injury by Accident	1,000,000
Bodily Injury by Disease	1,000,000
Bodily Injury Aggregate	2,000,000
Employees Benefits Aggregate	2,000,000
Employees Benefits Each Employee	2,000,000
Public Officials Aggregate	2,000,000
Vehicles	
Liability	2,000,000
Uninsured Motorists	1,000,000
Underinsured Motorists	1,000,000
Electronic Data Processing	30,000

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

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.

Prior to September 1, 2001 medical coverage was provided on a self-insured basis through the Health Benefits Plan (Plan), a claims servicing pool (See Note 16). The Plan provided a major medical plan with a \$100 single and \$200 family deductible. The City purchased stop-loss coverage of \$15,000 per employee per year and an aggregate annual limit of \$1,000,000. A third party administrator, Medical Benefits Administrators, Inc., located in Newark, Ohio, reviewed and paid all claims.

On August 31, 2001, the City ceased to be self-insured. By the end of the year all claims had been satisfied. The City now offers hospitalization and prescription insurance to employees through Anthem Blue Cross and Blue Shield. The premium rates are based on the medical history of the employee and range from \$508 to \$1,060 for employees and spouse/family coverage.

Note 11 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the 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 2001 employer pension contribution rate for City was 9.25 percent of covered payroll, reduced from 6.54 percent in 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$20,821, \$17,120, and \$24,014, respectively. The full amount has been contributed for 2000 and 1999. 73.74 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

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 by 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 12 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.5 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$30,246 and \$40,463 for the year ended December 31, 2001, \$29,139 and \$39,058 for the year ended December 31, 2000 and \$31,721 and \$38,847 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 70.17 percent and 71.16 percent, respectively, have been contributed for 2001 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, 2001, the unfunded liability of the City was \$340,770 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, 2001, four of the Council members have elected Social Security. The Council's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) 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 PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

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, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 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 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$9,353. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, 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 7.50 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25 percent. 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 2001 that were used to fund postemployment benefits were \$17,901 for police and \$17,514 for fire. OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn three to six weeks of vacation per year, depending on length of service. 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. An employee of the City is not entitled to carry forward any vacation time or personal leave. For non-union employees and union firefighters, credit is given, and may be used for vacation time earned during the

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

preceding calendar year. For union police employees, credit is given, and may be used for vacation earned during preceding year, based on the employee's anniversary date.

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-fourth of the outstanding sick leave accumulated up to 135 days. Firefighters with more than ten years of service can be paid one-half of the outstanding sick leave accumulated up to 270 days. As of December 31, 2001, the total liability for unpaid compensated absences was \$151,890.

B. Life and Accidental Death and Dismemberment Insurance

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

Note 14 - Contingencies

A. Litigation

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

B. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2001.

Note 15 - Jointly Governed Organizations

A. Community Improvement Corporation of Tuscarawas County (Corporation)

The sole purpose of the Corporation is in advancing, encouraging and promoting 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 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 2001, no monies were received from the City.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

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 2001, 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 2001, no monies were received from the City.

D. Tuscarawas County Tax Incentive Review Council (TCTIRC)

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

Note 16 - Claims Servicing Pool

Until September 1, 2001, the City participated in the Health Benefits Plan (Plan), a claims servicing pool for self-insurance. Participation in the Plan was limited to the City of Uhrichsville, the Twin City Water and Sewer District and the Uhrichsville-Dennison-Mill Union Cemetery. The firm of Medical Benefits Administrators, Inc. (MBA) provided administrative, cost control and actuarial services to the Plan. The premium experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant paid an annual fee to the Plan to cover the costs of administering the program.

The City withdrew from the Plan, giving written notice to MBA thirty days prior to such action. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal. At December 31, 2001, the City had an obligation in the amount of \$16,631.

City of Uhrichsville, Ohio
Notes to the General Purpose Financial Statements
For the Year Ended December 31, 2001

Note 17 – Advances to/from Other Funds

The balances for advances to/from other funds at December 31, 2001, consisted of the following individual fund receivables and payables, and also are identified in Note 2.

	Advances to Other Funds	Advances from Other Funds
General Fund	\$0	\$95,311
Special Revenue Fund:		
Street Construction, Maintenance and Repair	0	672,555
Capital Projects Fund:		
Capital Improvements	784,497	0
Internal Service Fund:		
Self Insurance	0	16,631
Total	\$784,497	\$784,497

CITY OF UHRICHVILLE
TUSCARAWAS COUNTY

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grant States Program	A-C-00-188-1	14.228	\$ 60,983	\$ 54,527
	B-F-00-072-1	14.228	3,000	3,000
	A-P-00-188-1	14.228	<u>66,100</u>	<u>66,100</u>
Total Community Development Block Grant States Program			130,083	123,627
Home Improvement Partnership Program	A-C-00-188-2	14.239	<u>174,706</u>	<u>152,889</u>
Total U.S. Department of Housing and Urban Development			<u>304,789</u>	<u>276,516</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
<i>Passed Through Ohio Department of Public Safety:</i>				
Hazard Mitigation Grant	FEMA-DR-1227	83.548	72,200	113,739
<u>U.S. DEPARTMENT OF JUSTICE</u>				
<i>Direct:</i>				
Local Law Enforcement Block Grants Program	N/A	16.592	13,658	13,658
Bulletproof Vest Partnership Program	N/A	16.607	<u>700</u>	<u>700</u>
Total U.S. Department of Justice			<u>14,358</u>	<u>14,358</u>
Totals			<u>\$ 391,347</u>	<u>\$ 404,613</u>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF UHRICHVILLE
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2001**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – ACCOUNTING METHOD FOR EXPENDITURES

Monies are commingled with local funds for the Community Development Block Grant States Program and the Home Improvement Partnership Program. It is assumed the federal monies are expended first.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require that the City contribute non-federal funds (matching funds) to support the federally-funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Uhrichsville
Tuscarawas County
305 East Second Street
Uhrichsville, Ohio 44683

To the Honorable Mayor and City Council:

We have audited the general purpose financial statements of the City of Uhrichsville, Tuscarawas County, Ohio (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated September 9, 2002 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. We also noted the City adopted *Governmental Accounting Standards Board* Statement No. 33. 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-21279-001 through 2001-21279-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated September 9, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-21279-006 through 2001-21279-008.

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 2001-21279-006 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 September 9, 2002.

This report is intended solely for the information and use of management, City Council 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 9, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Uhrichsville
Tuscarawas County
305 East Second Street
Uhrichsville, Ohio 44683

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of Uhrichsville, Tuscarawas County, Ohio, (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 program for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. 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 of the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 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 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, 2001.

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.

City of Uhrichsville
Tuscarawas County
Report of Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

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 a 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated September 9, 2002.

This report is intended for the information and use of management, City Council 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 9, 2002

**CITY OF UHRICHVILLE
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Disclaimer
(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)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Home Improvement Partnerships Program, CFDA # 14.239
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-21279-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two “exceptions” to the above requirements:

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate
- If the amount involved is less than \$1,000, the City Auditor may authorize payment through a Then and Now Certificate without affirmation of City Council

During 2001, 57% of expenditures tested were not certified by the City Auditor prior to incurring the commitment. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The City Auditor should inform all City employees of the requirements of Ohio Rev. Code Section 5705.41(D). The City should implement the use of so called Then and Now Certificates and blanket certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2001-21279-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2001, object level expenditures exceeded appropriations in certain Capital Projects Funds as follows:

Fund/Department/Object <u>Month</u>	Final Appropriations <u>(Rounded)</u>	Final Expenditures <u>(Rounded)</u>	Excess <u>(Rounded)</u>
Capital Improvements Fund - Street Services - Blacktopping Project (Fund No. 510.240.52394) <i>August</i>	\$200,000	\$318,000	\$118,000
Capital Improvements Fund - Park - Park Improvement Loan Payment (Fund No. 510.320.59990) <i>September</i>	200,000	324,000	124,000
Capital Improvements Fund - Street Services - Tree Removal (Fund No. 510.240.52398) <i>October</i>	200,000	327,000	127,000
Capital Improvements Fund - Park - Pool Improvement (Fund No. 510.320.52389) <i>October</i>	200,000	327,000	127,000
Capital Improvements Fund - Street Services - Blacktopping Project (Fund No. 510.240.52394) <i>November</i>	200,000	347,000	147,000

The City Auditor should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the object level, the City's legal level of budgetary control, to avoid potential overspending.

FINDING NUMBER 2001-21279-003

Noncompliance Citation

Ohio Rev. Code Section 5705.14 states that except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of City Council members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

During 2001, the City transferred \$200,000 and \$10,000 from the General Fund to the Special Revenue Street Construction, Maintenance, and Repair Fund and the Special Revenue Park and Recreation Fund, respectively, without a resolution passed by a simple majority of City Council. City Council should adopt a resolution stating the transfer amounts and funds affected. This will help ensure transfers are valid and properly authorized. City Council retroactively approved these transfers on March 14, 2002 (Resolution No. 1477).

FINDING NUMBER 2001-21279-004

Noncompliance Citation

Ohio Rev. Code Section 121.22 requires public officials to take official action and to conduct all deliberations upon official business only in public meetings unless the subject matter is specifically exempted by law from the open meeting requirement. In addition, **Ohio Rev. Code Section 733.21** states that the Mayor, Director of Public Service, and the Director of Public Safety constitute the Board of Control of a City and that the board shall keep a record of its proceedings. All votes shall be yeas or nays and entered onto the record, and the vote of a majority of all the members of the board shall be necessary to adopt any question, motion, or order.

During 2001, the City's minute records did not contain sufficient detail as follows:

- Acceptance of grant assistance earmarked for the North Water Street Project, Community Center Project, Police Department, and certain community development projects
- Disposition of an existing police cruiser and subsequent purchase of a new police cruiser through assistance from the State
- Termination of the City's existing contract with Medical Benefits Companies and subsequent approval of a new contract with Anthem Blue Cross & Blue Shield as the City's third party administrator of medical claims

In addition, no minute records were prepared or maintained for the City's Board of Control. City Council should take official action on significant matters including but not limited to: the application for and acceptance of grant awards; advertisement and approval of contract bids; approval of new funds; establishment of petty cash accounts; hiring or termination of employees; increase in annual pay rates and salary amounts; purchase, lease, or sale of property; and the approval or termination of agreements or contracts with third parties. In addition, the minute records of City Council and the Board of Control should clearly document the intentions on these matters, respectively.

FINDING NUMBER 2001-21279-005

Noncompliance Citation

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established. During 2001, the City had negative cash fund balances in the following funds:

Fund	Approximate Ranges of Deficit Balances
General Fund	\$3,000 - \$430,000
<i>Special Revenue Funds</i>	
Street Construction, Maintenance and Repair Fund (Fund No. 210)	670,000 - 860,000
Hazard Mitigation Fund (Fund No. 330)	3,000 - 64,000
Ambulance Levy Fund (Fund No. 290)	5,000 - 9,000

Noncompliance (Continued)

<i>Capital Projects Fund</i> Street Equipment Fund (Fund No. 530)	12,000
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Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

FINDING NUMBER 2001-21279-006

Material Weakness

Health Insurance – Third Party Administrator

The City was a member of a self-insurance pool (the pool) administered by Medical Benefits Company (MedBen) from October 1994 until September 2001. The Uhrichsville, Dennison, Mill Union Cemetery and Twin City Water and Sewer District were also pool participants from October 1994 until February 2001. During 2001, the City contributed roughly \$127,000 to cover the City's various fees, stop-loss insurance coverage and premiums. However, MedBen 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. Additionally, during 2001, the City Auditor remitted certain payments to MedBen that exceeded each respective invoice by amounts up to roughly \$10,000. These additional payments were made without appropriate supporting documentation. As a result, the City could not determine the amount of its over/under funding of medical and prescription claims.

The Mayor and City Council, in cooperation with the City Auditor, should contact MedBen 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.

FINDING NUMBER 2001-21279-007

Reportable Condition

City Council Report Package Approval

From October through December 2001, City Council members received the following information from the City Auditor monthly for review:

- Cash Reconciliation and Fund Balance Report
- Cash Position Summary Report
- Statement of Budget Analysis and Cash Summary By Fund Report

FINDING NUMBER 2001-21279-007 (Continued)

Reportable Condition

City Council Report Package Approval (Continued)

These reports include budget vs. actual, year-to-date, encumbrance, and appropriation information. Although the minutes noted that the reports were submitted, City Council did not formally accept or approve them. City Council should formally approve the monthly report package submitted by the City Auditor and document their approval in the minute records. This will increase management's awareness of all financial activity and provide evidence of monitoring activities.

FINDING NUMBER 2001-21279-008

Policy and Procedure Manual

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

The City should develop and implement a written policy and procedure manual adopted by City Council as evidenced in the minute record. This manual should serve as a reference tool for matters not addressed in bargaining unit agreements such as: professional demeanor, equipment use, purchasing of goods and services, availability of public records, written job descriptions, and procedures for the 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

**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-21279-001	Ohio Rev. Code Section 5705.41(D) – The City Auditor did not certify the availability of funds for 55% of the expenditures tested in 2000.	No	Not Corrected
2000-21279-002	Ohio Rev. Code Section 5705.41(B) – 27% of the expenditures tested throughout the year during 2000 exceeded appropriations at the City's legal level of budgetary control.	No	Not Corrected
2000-21279-003	Ohio Rev. Code Section 5705.10 – The City had cash fund deficits of up to roughly \$824,000 in certain funds during 2000.	No	Not Corrected
2000-21279-004	Ohio Rev. Code Section 135.18 – The City had funds on deposit in the amount of \$422,000 which were not collateralized during 2000.	Yes	Finding No Longer Valid

City of Uhrichsville
 Tuscarawas County
 Schedule of Prior Audit Findings
 Page 2

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-21279-005	Finding For Recovery Repaid Under Audit – The City deposited approximately \$7,300 with Medical Benefits Companies during 2000 which was not applied to the City's Investment Access Account.	Partially	Partially Corrected
2000-21279-006	TPA Reconciliations – The City is unable to reconcile monthly premiums paid to the TPA with the City's financial activity posted by the TPA.	No	Not Corrected
2000-21279-007	Fixed Assets – The City did not capitalize certain building improvements and properties purchased during 2000. In addition, serial numbers were not maintained for equipment.	Yes	Finding No Longer Valid



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
OCTOBER 8, 2002**