

City of Uhrichsville
Audited Financial Statements

December 31, 2007



Mary Taylor, CPA
Auditor of State

City Council
City of Uhrichsville
305 East Second Street
PO Box 288
Uhrichsville, Ohio 44683

We have reviewed the *Independent Auditor's Report* of the City of Uhrichsville, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Uhrichsville is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 7, 2008

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**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY**

DECEMBER 31, 2007

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Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

August 28, 2008

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Uhrichsville (the "City"), Tuscarawas County, Ohio as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Uhrichsville, Ohio as of December 31, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 31, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 through 8 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The discussion and analysis for the City of Uhrichsville's financial statements provides an overall review of the financial activity of the City for the twelve months ended December 31, 2007. The intent of this discussion is to provide a narrative that describes the City's performance as a whole. To obtain a more detailed understanding regarding the City's financial performance, one should also review the basic financial statements and the notes to the basic financial statements.

Financial Highlights

Financial Highlights for 2007 are as follows:

- All funds ended the year with a positive cash balance for 2007. This is the fourth consecutive year of positive balances. The Finance Committee continues to monitor all funds in order to keep the City out of future fiscal emergencies.
- Total net assets increased \$1,354,643 or a 26.9 percent increase over 2006.
- Total assets of governmental activities increased \$7,580,794, which represents a 121.0 percent increase over 2006.
- Total liabilities increased by \$6,226,151, which represents a 508.1 percent increase over 2006.
- Total invested in capital assets, net of debt increased \$2,231,220, an increase of 95.0 percent from 2006.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information from a summary perspective. These statements show the results of the operations for the year 2007 and how they affected the City of Uhrichsville's financial condition. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements look at the City's most significant funds with all other nonmajor funds presented in total in one column.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the City of Uhrichsville as a Whole

Statement of Net Assets and the Statement of Activities

This financial view of the City as a whole considers all transactions and answers the question of how the City of Uhrichsville performed financially during 2007. The Statement of Net Assets and the Statement of Activities provide summary information concerning the financial position and operations of the City as an entity, as well as the overall evaluation of the City's financial status. These statements include all non-fiduciary assets and all liabilities using the accrual basis of accounting. This method takes into account all revenues when they are earned and all expenses when they are incurred. Transactions are booked when they occur and not when actual cash is received for revenues or when invoices are paid for expenses.

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

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

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

Reporting the City of Uhrichsville's Most Significant Funds

Fund Financial Statements

The presentation of the City's major funds begins on page 13. Fund financial reports give detailed information of activities within these funds. The City currently has several funds, which have been established to account for the multitude of services provided to residents, for employee health care and the operation of facilities, as well as for infrastructure and capital purchases. These fund financial statements focus on the City's three major funds: the General Fund, the Capital Improvement Fund and the Water Park Building Fund.

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

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The City of Uhrichsville as a Whole

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2007 as they compare to 2006.

Table 1
Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Current and Other Assets	\$8,168,030	\$3,722,229	\$4,445,801
Capital Assets, Net	5,678,947	2,543,954	3,134,993
<i>Total Assets</i>	<u>13,846,977</u>	<u>6,266,183</u>	<u>7,580,794</u>
Liabilities			
Current Liabilities	1,909,658	549,628	1,360,030
Long-Term Liabilities:			
Due Within One Year	162,720	53,319	109,401
Due in More Than One Year	5,379,196	622,476	4,756,720
<i>Total Liabilities</i>	<u>7,451,574</u>	<u>1,225,423</u>	<u>6,226,151</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,580,174	2,348,954	2,231,220
Restricted for:			
Capital Projects	414,936	1,255,975	(841,039)
Other Purposes	308,085	322,450	(14,365)
Unrestricted	1,092,208	1,113,381	(21,173)
<i>Total Net Assets</i>	<u>\$6,395,403</u>	<u>\$5,040,760</u>	<u>\$1,354,643</u>

Total assets increased in 2007 by \$7,580,794. Total liabilities increased by \$6,226,151. The increase in total assets is reflected primarily in equity in pooled cash and cash equivalents and capital assets where the increases were \$4,104,954 and \$3,134,993, respectively. The increase in capital assets is due to the receipt of water park bond proceeds and construction in progress. The increase of \$1,360,030 in current liabilities is due mainly to contracts payable and retainage payable for the water park and Newport area storm sewer improvement projects. The increase of \$4,866,121 in long-term liabilities is due primarily to the water park building general obligation bonds. Total net assets increased by \$1,354,643.

Table 2 shows the changes in net assets for the year ended December 31, 2007. Revenue and expense comparisons can be made between the years 2006 and 2007.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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Table 2
Change in Net Assets

	Governmental Activities		
	2007	2006	Change
Revenues			
Program Revenues:			
Charges for Services	\$254,832	\$92,188	\$162,644
Operating Grants and Contributions	1,707,561	297,000	1,410,561
Capital Grants and Contributions	144,445	220,034	(75,589)
Total Program Revenues	<u>2,106,838</u>	<u>609,222</u>	<u>1,497,616</u>
General Revenues:			
Property Taxes	546,136	426,506	119,630
Income Taxes	1,347,948	1,080,699	267,249
Grants and Entitlements	367,969	379,442	(11,473)
Investment Earnings	245,519	92,715	152,804
Miscellaneous	56,073	22,125	33,948
Total General Revenues	<u>2,563,645</u>	<u>2,001,487</u>	<u>562,158</u>
Total Revenues	<u>4,670,483</u>	<u>2,610,709</u>	<u>2,059,774</u>
Program Expenses			
General Government	524,651	476,520	48,131
Security of Persons and Property	1,284,259	1,242,723	41,536
Transportation	888,928	282,890	606,038
Public Health Services	112,500	5,123	107,377
Community Development	284,769	253,252	31,517
Leisure Time Activities	55,353	22,735	32,618
Interest and Fiscal Charges	165,380	7,274	158,106
Total Program Expenses	<u>3,315,840</u>	<u>2,290,517</u>	<u>1,025,323</u>
Change in Net Assets	1,354,643	320,192	1,034,451
Net Assets Beginning of Year	<u>5,040,760</u>	<u>4,720,568</u>	<u>320,192</u>
Net Assets End of Year	<u>\$6,395,403</u>	<u>\$5,040,760</u>	<u>\$1,354,643</u>

Governmental Activities

Several revenue sources fund governmental activities with the City of Uhrichsville's municipal income tax being the largest contributor. The income tax rate for the City is 1.75 percent. The City allows a 100 percent credit of taxes paid to other municipalities, up to 1.75 percent of income. The tax amount is credited to the general fund and capital improvement capital projects fund. On a full accrual basis, the City received income tax revenues of \$1,347,948 in 2007. This was an increase of \$267,249 over the \$1,080,699 which was received in 2006. The increase is due to less current year delinquencies.

Security of persons and property represents the largest expense of the governmental activities. This expense of \$1,284,259 represents 38.7 percent of the total expenses. The police department is a full time, 24 hours a day, 365 days a year department with 7 officers and a full time Chief. The fire department is

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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also full time and includes 5 officers and a full time Chief. This expense increased by \$41,536, or 3.3 percent, from 2006 to 2007 due in part to increased wages and benefits and more non-capital purchases within the police and fire departments.

General Government represents 15.8 percent of governmental expenses. These expenses consist of all elected officials and their appointed staff. Also included are the associated benefits for these employees along with various other costs of running the City operations. This expense remained consistent between 2006 and 2007 with an increase of only \$48,131, or 10.1 percent.

Our Street Maintenance and Repair and Traffic Department employs three workers and one foreman who provide the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping, and alley profiling. This area had expenses of \$888,928 or 26.8 percent of governmental expenses in 2007. The transportation expense increased by \$606,038, or 214.2 percent, due to increased wages and benefits and more non-capital purchases within the street department.

Public Health Services comprises 3.4 percent of governmental expenses. A significant increase occurred in 2007 since the City began distributing the property tax levy proceeds to Twin City Hospital.

Community Development represents 8.6 percent of governmental expenses. This department's expenses remained consistent between 2006 and 2007 with only a slight increase in 2007.

The remaining 6.7 percent of governmental expenses consist of Leisure Time Activities and Interest and Fiscal Charges. The Leisure Time Activities expense increased by \$32,618 due in large part to various noncapital expenses related to the preparation of the new water park. Interest and Fiscal Charges increased significantly, since the first interest payment of the new water park bond was due in December 2007.

The City's Funds

Information about the City's governmental funds begins on page 13. These funds are accounted for by using the modified accrual method of accounting. All governmental funds had total revenues of \$4,450,279 and expenditures of \$6,722,078. The City's General Fund reflected an increase in fund balance of \$74,850. The Capital Improvement Fund and Water Park Building Fund had fund balances of \$1,148,719 and \$2,845,606, respectively.

Cash and Cash Equivalents for all governmental funds increased from \$2,497,682 in 2006 to \$6,602,636, an increase of 164.4 percent. This significant increase is due mainly to the portion of water park bond proceeds that were unspent at the end of 2007.

General Fund Budgeting Highlights

The City's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, expenditures, and encumbrances. Our budget is adopted at the fund, function, and object level. Any budgetary modifications at that level may only be made by Council action. The general fund had final appropriations \$1,812,464; original appropriations were \$1,648,646. This increase of \$163,818 is mostly due to interest expenditures since the City was required to make the first water park bond interest payment at the end of the year. The actual revenue was \$334,387 more than the final budget. The actual expenditures were \$63,214 less than the final budget.

City of Uhrichsville, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Strong emphasis is placed on fund balances. The City Auditor reviews fund balances on a daily basis. Special attention is paid to the City's two larger funds, general and capital improvement. Council also receives a monthly report showing beginning fund balance for all funds at the beginning of the year, the change in the balance thus far year to date, and the current fund balance.

Capital Assets

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

	Governmental Activities	
	2007	2006
Land	\$604,619	\$574,619
Construction in Progress	3,432,254	280,529
Buildings and Improvements	392,116	397,663
Equipment	596,540	607,164
Vehicles	390,474	434,783
Infrastructure		
Storm Sewers	8,320	7,783
Roads	254,624	241,413
Totals	\$5,678,947	\$2,543,954

Total Capital Assets for the City of Uhrichsville as of December 31, 2007 amounted to \$5,678,947, which was an increase of \$3,134,993 from 2006. The most significant increase was in construction in progress due to the water park building, Water Street, and Newport area storm sewer improvement projects. For more information about the City's capital assets, see Note 8 in basic financial statements.

Debt

As of December 31, 2007, the City of Uhrichsville had \$5,354,656 in outstanding debt.

Table 4
Outstanding Debt at Year End

	Governmental Activities	
	2007	2006
Service Garage Acquisition Loan	\$0	\$195,000
South Water Street Loan - First National Bank	400,000	0
South Water Street Loan - State Infrastructure Bank	35,818	0
Water Park Building General Obligation Bond	4,500,000	0
Unamortized Premium on Bond	109,788	0
Police and Fire Pension	309,050	314,907
Totals	\$5,354,656	\$509,907

City of Uhrichsville, Ohio
Management's Discussion and Analysis
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During 2007, the City borrowed \$435,818 to pay a portion of the South Water Street road project and issued a \$4,500,000 general obligation bond for the construction of a water park. The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2007, the liability of the City was \$309,050 payable in semiannual payments through the year 2035.

The City's overall legal debt margin was \$6,031,692, as of December 31, 2007. A thorough discussion of the debt can be found in Note 9 in the notes to the basic financial statements.

Current Financial Related Issues

In 2007, the City has issued bonds of \$4,500,000 to build a water park to replace the current swimming pool. A portion of the bond proceeds will be used to renovate the rest of the park to fit around the new water park.

The Water Street projects were under construction in 2007. The construction date was pushed back due to delays at the Ohio Department of Transportation. The City has been approved for Issue II funding for a large portion of the cost of this project. The remaining project costs are being funded through loans.

The Environmental Protection Agency has mandated that the City separate storm sewers from the sanitary sewer lines. Council has created a Storm Sewer District that encompasses the entire City. The City Council acts as the governing board of the Storm Sewer District and makes all decisions concerning the storm sewers. The City will assess property owners for the project cost. Construction on the Newport Avenue project began in 2007.

In 2007, the City paid off the Service Garage Acquisition Loan for \$195,000. This loan was retired early, as it was not originally scheduled to be retired until 2011.

In 2006, City residents began paying additional property taxes due to a levy they passed to support the Twin Cities Hospital. The City began receiving this money in 2007 and distributes it directly to the Hospital. The City has no relationship to the Hospital other than collecting the property tax revenue on its behalf.

Contacting the City of Uhrichsville's Finance Department

The intent of this financial report is to provide Uhrichsville citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the public funds it receives, spends, and invests. If you have any questions about this report or need additional financial information, contact the City Auditor, Joanne Dunlap, at the City of Uhrichsville, 305 East 2nd Street, Uhrichsville, Ohio 44683, (740) 922-9344.

City of Uhrichsville, Ohio

Statement of Net Assets

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$6,602,636
Materials and Supplies Inventory	16,196
Accrued Interest Receivable	3,580
Accounts Receivable	32,451
Intergovernmental Receivable	399,731
Income Tax Receivable	487,206
Property Taxes Receivable	516,442
Deferred Charges	109,788
Nondepreciable Capital Assets	4,036,873
Depreciable Capital Assets, Net	<u>1,642,074</u>
<i>Total Assets</i>	<u>13,846,977</u>
Liabilities	
Accounts Payable	23,153
Accrued Wages	8,335
Contracts Payable	1,202,327
Retainage Payable	147,272
Intergovernmental Payable	47,696
Accrued Interest Payable	25,839
Deferred Revenue	455,036
Long-Term Liabilities:	
Due Within One Year	162,720
Due In More Than One Year	<u>5,379,196</u>
<i>Total Liabilities</i>	<u>7,451,574</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	4,580,174
Restricted for:	
Capital Projects	414,936
Other Purposes	308,085
Unrestricted	<u>1,092,208</u>
<i>Total Net Assets</i>	<u><u>\$6,395,403</u></u>

See accompanying notes to the basic financial statements

City of Uhrichsville, Ohio
Statement of Activities
For the Year Ended December 31, 2007

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
General Government	\$524,651	\$27,370	\$0	(\$497,281)
Security of Persons and Property	1,284,259	86,544	10,509	(1,182,706)
Transportation	888,928	0	1,404,763	515,835
Public Health Services	112,500	140,918	17,274	45,692
Community Development	284,769	0	272,490	(12,279)
Leisure Time Activities	55,353	0	2,525	87,117
Interest and Fiscal Charges	165,380	0	0	(165,380)
<i>Total</i>	<u>\$3,315,840</u>	<u>\$254,832</u>	<u>\$1,707,561</u>	<u>\$144,445</u>

General Revenues

Property Taxes Levied for:	
General Purposes	303,733
Hospital	105,817
Parks and Recreation	24,904
Ambulance	71,744
Police and Fire Pension	33,552
Capital Projects	6,386
Income Tax Levied for:	
General Purposes	1,046,506
Capital Outlay	301,442
Grants and Entitlements not Restricted to Specific Programs	367,969
Interest	245,519
Other	56,073
<i>Total General Revenues</i>	<u>2,563,645</u>
Change in Net Assets	1,354,643
<i>Net Assets Beginning of Year</i>	<u>5,040,760</u>
<i>Net Assets End of Year</i>	<u>\$6,395,403</u>

See accompanying notes to the basic financial statements

City of Uhrichsville, Ohio

Balance Sheet

Governmental Funds

December 31, 2007

	<u>General</u>	<u>Capital Improvement</u>	<u>Water Park Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and					
Cash Equivalents	\$1,179,146	\$1,122,945	\$3,832,444	\$468,101	\$6,602,636
Materials and Supplies Inventory	7,839	0	0	8,357	16,196
Accrued Interest Receivable	3,580	0	0	0	3,580
Accounts Receivable	32,451	0	0	0	32,451
Intergovernmental Receivable	141,572	0	135,440	122,719	399,731
Income Taxes Receivable	382,805	104,401	0	0	487,206
Property Taxes Receivable	288,689	0	0	227,753	516,442
<i>Total Assets</i>	<u>\$2,036,082</u>	<u>\$1,227,346</u>	<u>\$3,967,884</u>	<u>\$826,930</u>	<u>\$8,058,242</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$14,562	\$0	\$6,223	\$2,368	\$23,153
Accrued Wages	6,324	0	0	2,011	8,335
Contracts Payable	0	10,816	860,764	330,747	1,202,327
Retainage Payable	0	0	119,851	27,421	147,272
Intergovernmental Payable	5,208	0	0	42,488	47,696
Deferred Revenue	597,410	67,811	135,440	290,637	1,091,298
<i>Total Liabilities</i>	<u>623,504</u>	<u>78,627</u>	<u>1,122,278</u>	<u>695,672</u>	<u>2,520,081</u>
Fund Balances					
Unreserved:					
Undesignated, Reported in:					
General Fund	1,412,578	0	0	0	1,412,578
Special Revenue Funds	0	0	0	200,327	200,327
Capital Projects Funds (Deficit)	0	1,148,719	2,845,606	(69,069)	3,925,256
<i>Total Fund Balances</i>	<u>1,412,578</u>	<u>1,148,719</u>	<u>2,845,606</u>	<u>131,258</u>	<u>5,538,161</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,036,082</u>	<u>\$1,227,346</u>	<u>\$3,967,884</u>	<u>\$826,930</u>	<u>\$8,058,242</u>

See accompanying notes to the basic financial statements

City of Uhrichsville, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2007*

Total Governmental Fund Balances	\$5,538,161
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	5,678,947
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Property Taxes	40,614
Income Taxes	316,453
Grants	279,195
Total	636,262

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(25,839)
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Bond issuance costs reported as an expenditure in the funds are allocated as an expense over the life of the debt on a full accrual basis:	
Issuance costs	112,029
Amount expensed	(2,241)
Total	109,788

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(4,500,000)
Premium on Bonds	(109,788)
Loans Payable	(435,818)
Police and Fire Pension	(309,050)
Compensated Absences	(187,260)
Total	(5,541,916)

<i>Net Assets of Governmental Activities</i>	<u><u>\$6,395,403</u></u>
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See accompanying notes to the basic financial statements

City of Uhrichsville, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Capital Improvement	Water Park Building	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$301,022	\$0	\$0	\$239,621	\$540,643
Income Taxes	949,248	277,684	0	0	1,226,932
Charges for Services	9,801	0	0	27,050	36,851
Licenses and Permits	53,431	0	0	0	53,431
Fines and Forfeitures	18,558	0	0	876	19,434
Intergovernmental	402,563	0	0	1,719,212	2,121,775
Special Assessments	0	0	0	140,593	140,593
Rentals	4,523	0	0	0	4,523
Interest	108,466	0	137,053	0	245,519
Contributions and Donations	0	0	4,505	0	4,505
Other	14,584	639	17,300	23,550	56,073
<i>Total Revenues</i>	<u>1,862,196</u>	<u>278,323</u>	<u>158,858</u>	<u>2,150,902</u>	<u>4,450,279</u>
Expenditures					
Current:					
General Government	518,133	0	0	0	518,133
Security of Persons and Property	1,095,684	0	0	121,021	1,216,705
Transportation	0	0	0	1,464,348	1,464,348
Public Health Services	6,166	0	0	106,334	112,500
Community Development	0	0	0	284,769	284,769
Leisure Time Activities	0	0	0	52,895	52,895
Capital Outlay	0	375,054	1,813,252	426,425	2,614,731
Debt Service:					
Principal Retirement	0	195,000	0	5,857	200,857
Interest and Fiscal Charges	122,363	11,413	0	11,335	145,111
Bond Issuance Costs	0	0	112,029	0	112,029
<i>Total Expenditures</i>	<u>1,742,346</u>	<u>581,467</u>	<u>1,925,281</u>	<u>2,472,984</u>	<u>6,722,078</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>119,850</u>	<u>(303,144)</u>	<u>(1,766,423)</u>	<u>(322,082)</u>	<u>(2,271,799)</u>
Other Financing Sources (Uses)					
Loans Issued	0	435,818	0	0	435,818
General Obligation Bonds Issued	0	0	4,500,000	0	4,500,000
Premium on Bond	0	0	112,029	0	112,029
Transfers In	0	0	0	45,000	45,000
Transfers Out	(45,000)	0	0	0	(45,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,000)</u>	<u>435,818</u>	<u>4,612,029</u>	<u>45,000</u>	<u>5,047,847</u>
<i>Net Change in Fund Balances</i>	74,850	132,674	2,845,606	(277,082)	2,776,048
<i>Fund Balances Beginning of Year</i>	<u>1,337,728</u>	<u>1,016,045</u>	<u>0</u>	<u>408,340</u>	<u>2,762,113</u>
<i>Fund Balances End of Year</i>	<u>\$1,412,578</u>	<u>\$1,148,719</u>	<u>\$2,845,606</u>	<u>\$131,258</u>	<u>\$5,538,161</u>

See accompanying notes to the basic financial statements

City of Uhrichsville, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds \$2,776,048

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

Governmental funds report capital outlay as an expenditure.

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

Capital Asset Additions	3,269,847	
Current Year Depreciation	(134,854)	
Total		3,134,993

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

Property Taxes	5,493	
Income Taxes	121,016	
Grants	93,695	
Total		220,204

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.

112,029

In the statement of activities, interest is accrued on outstanding debt.

Bond premiums and issuance costs are amortized over the term of the debt, whereas in governmental funds an interest expenditure is reported when due and bond premiums and issuance costs are reported when the debt is due.

Accrued Interest	(20,269)	
Amortization of Bond Premium	2,241	
Amortization of Issuance Costs	(2,241)	
Total		(20,269)

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

(21,372)

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

200,857

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Bonds	(4,500,000)	
Loans Payable	(435,818)	
Bond Premium	(112,029)	
Total		(5,047,847)

Change in Net Assets of Governmental Activities

\$1,354,643

See accompanying notes to the basic financial statements

City of Uhrichsville, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$250,000	\$250,000	\$289,398	\$39,398
Income Taxes	850,000	850,000	1,031,821	181,821
Charges for Services	7,500	7,500	9,801	2,301
Licenses and Permits	25,000	25,000	40,308	15,308
Fines and Forfeitures	10,000	10,000	18,558	8,558
Intergovernmental	300,000	300,000	339,332	39,332
Rentals	2,500	2,500	4,440	1,940
Interest	75,000	75,000	111,455	36,455
Other	5,200	5,200	14,474	9,274
<i>Total Revenues</i>	<u>1,525,200</u>	<u>1,525,200</u>	<u>1,859,587</u>	<u>334,387</u>
Expenditures				
Current:				
General Government	535,671	545,365	515,429	29,936
Security of Persons and Property	1,107,775	1,138,435	1,105,292	33,143
Public Health Services	5,200	6,300	6,166	134
Debt Service:				
Interest and Fiscal Charges	0	122,364	122,363	1
<i>Total Expenditures</i>	<u>1,648,646</u>	<u>1,812,464</u>	<u>1,749,250</u>	<u>63,214</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(123,446)	(287,264)	110,337	397,601
Other Financing Uses				
Transfers Out	(25,000)	(45,000)	(45,000)	0
<i>Net Change in Fund Balance</i>	(148,446)	(332,264)	65,337	397,601
<i>Fund Balance Beginning of Year</i>	<u>1,113,809</u>	<u>1,113,809</u>	<u>1,113,809</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$965,363</u></u>	<u><u>\$781,545</u></u>	<u><u>\$1,179,146</u></u>	<u><u>\$397,601</u></u>

See accompanying notes to the basic financial statements

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 1 - Description of the City and Reporting Entity

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

Reporting Entity

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

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

The City participates in the Community Improvement Corporation of Tuscarawas County, the Uhrichsville-Dennison-Mill Union Cemetery, the Tuscarawas County Tax Incentive Review Council, which are defined as jointly governed organizations, the Twin City Water and Sewer District, which is defined as a joint venture, the Public Entities Pool of Ohio, which is a shared risk pool, and the Ohio Municipal League Group Rating Plan, an insurance purchasing pool. These organizations are presented in Notes 15, 16 and 17 to the basic purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

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

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

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

B. Fund Accounting

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

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

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

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

Water Park Building Capital Projects Fund The water park building capital projects fund is used to account for financial resources to be used for the construction of the water park.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During 2007, investments were limited to Federal National Mortgage Association Notes and Federal Home Loan Bank Bonds.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2007 amounted to \$108,466 which includes \$64,619 assigned from other City funds.

For presentation on the financial statements, funds included within the City's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents.

F. Inventory

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

G. Capital Assets

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

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

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Machinery and Equipment	5-25 years
Vehicles	15 years
Infrastructure	20 years

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

H. Compensated Absences

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

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

I. Accrued Liabilities and Long-Term Obligations

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

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

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

of other governments. The government-wide statement of net assets reports \$723,021 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include law enforcement and fire department operations.

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

K. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

L. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the Water Park general obligation bond is being amortized using the straight-line method over the life of the bond on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method.

M. Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized for the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

N. Extraordinary and Special Items

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

O. 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.

P. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the fund, function, and object level. Any budgetary modifications at this level may only be made by resolution of City Council.

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

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

Note 3– Change in Accounting Principles

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$5,829 and \$12,879, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Note 4 – Accountability

The police pension special revenue fund and the fire pension special revenue fund had deficit fund balances at December 31, 2007, of \$11,802 and \$15,090, respectively. The deficit fund balances are due to the recognition of accrued liabilities. The general fund is liable for any deficit balance and provides operating transfers when cash is required, not when accruals occur.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 5 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$74,850
Net Adjustment for Revenue Accruals	(2,609)
Net Adjustment for Expenditure Accruals	(6,904)
Budget Basis	<u>\$65,337</u>

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 deposit accounts.

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

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

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 finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and 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. Historically, the City has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the carrying amount of the City's deposits was \$5,105,826 and the bank balance was \$5,244,615. Of the bank balance \$300,000 was covered by Federal depository insurance and \$4,944,615 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Although the deposits were held by the pledging institutions trust departments and all statutory requirements for the deposit of the money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2007, the City had the following investments:

Investment Type	Fair Value	Average Maturity
Federal National Mortgage Association Notes	\$499,150	64 days
Federal Home Loan Bank Bonds	997,660	18 days
Total Investments	\$1,496,810	

All investments are in an internal investment pool.

Interest Rate Risk. The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. The Federal National Mortgage Association Securities and Federal Home Loan Bank Securities carry a rating of Aaa by Moody's. The City has no policy further restricting credit risk beyond the statutory guidelines which limit investment choices.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2007:

Investment Issuer	Percentage of Investments
Federal National Mortgage Association Notes	33.35 %
Federal Home Loan Bank Bonds	66.65
Total	100.00 %

Note 7 - Receivables

Receivables at December 31, 2007, 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 within one year.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 2007 for real and public utility property taxes represent collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Real property taxes are payable annually or semi-annually. If paid annually, the 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 established.

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. 2007 public utility property taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2007, was \$10.38 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate Property	\$52,495,980
Public Utility Property	1,918,640
Tangible Personal Property	<u>3,030,070</u>
Total Assessed Value	<u><u>\$57,444,690</u></u>

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, 2007, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2007 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

B. Income Tax

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

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

The City's income tax of 1.75 percent is comprised of 1 percent credited to the general fund and .75 percent equally distributed between the general fund and capital improvement capital projects fund.

Note 8 – Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance 12/31/2006	Additions	Deductions	Balance 12/31/2007
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$574,619	\$30,000	\$0	\$604,619
Construction in Progress	280,529	3,151,725	0	3,432,254
Total Capital Assets not being depreciated	<u>855,148</u>	<u>3,181,725</u>	<u>0</u>	<u>4,036,873</u>
Capital Assets being depreciated:				
Buildings and Improvements	562,199	5,685	0	567,884
Equipment and Machinery	772,662	30,699	0	803,361
Vehicles	999,540	37,177	0	1,036,717
Infrastructure:				
Storm Sewers	8,454	1,011	0	9,465
Roads	266,192	13,550	0	279,742
Total Capital Assets being depreciated	<u>2,609,047</u>	<u>88,122</u>	<u>0</u>	<u>2,697,169</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(164,536)	(11,232)	0	(175,768)
Equipment and Machinery	(165,498)	(41,323)	0	(206,821)
Vehicles	(564,757)	(81,486)	0	(646,243)
Infrastructure:				
Storm Sewers	(671)	(474)	0	(1,145)
Roads	(24,779)	(339)	0	(25,118)
Total Accumulated Depreciation	<u>(920,241)</u>	<u>(134,854) *</u>	<u>0</u>	<u>(1,055,095)</u>
Total Capital Assets being Depreciated, net	<u>1,688,806</u>	<u>(46,732)</u>	<u>0</u>	<u>1,642,074</u>
Governmental Activities Capital Assets, Net	<u>\$2,543,954</u>	<u>\$3,134,993</u>	<u>\$0</u>	<u>\$5,678,947</u>

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

* Depreciation expense was charged to governmental activities as follows:

General Government	\$4,158
Security of Persons and Property	78,118
Transportation	50,120
Leisure Time Activities	2,458
Total Depreciation Expense	\$134,854

Note 9 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2007, were as follows:

	Outstanding 1/1/2007	Additions	Deletions	Outstanding 12/31/2007	Due Within 1 year
<i>Water Park General Obligation Bonds:</i>					
Serial Bonds	\$0	\$320,000	\$0	\$320,000	\$105,000
Term Bonds	0	4,180,000	0	4,180,000	0
Unamortized Premium on Bond	0	112,029	2,241	109,788	0
Service Garage Acquisition Loan	195,000	0	195,000	0	0
South Water Street Loan	0	400,000	0	400,000	40,000
State Infrastructure Bank Loan	0	35,818	0	35,818	0
Police and Fire Pension	314,907	0	5,857	309,050	6,109
Compensated Absences	165,888	29,834	8,462	187,260	11,611
<i>Total General Long-Term Obligations</i>	<i>\$675,795</i>	<i>\$5,077,681</i>	<i>\$211,560</i>	<i>\$5,541,916</i>	<i>\$162,720</i>

Water Park Bonds

On April 26, 2007, the City issued general obligation bonds in the amount of \$4,500,000 for the construction of a new water park. The bond has a varying interest rate of 3.80 to 4.75 percent and will be paid from the general fund. The bond will be paid through 2028.

Mandatory Sinking Fund Redemption The bonds maturing on December 1, 2012, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1, 2011 in the principal amount of \$115,000 (with the balance of \$120,000 to be paid at maturity on December 1, 2012).

The bonds maturing on December 1, 2014, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1, 2013 in the principal amount of \$125,000 (with the balance of \$130,000 to be paid at maturity on December 1, 2014).

The bonds maturing on December 1, 2016, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1, 2015 in the principal amount of \$135,000 (with the balance of \$140,000 to be paid at maturity on December 1, 2016).

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The bonds maturing on December 1, 2018, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1, 2017 in the principal amount of \$145,000 (with the balance of \$155,000 to be paid at maturity on December 1, 2018).

The bonds maturing on December 1, 2020, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1, 2019 in the principal amount of \$160,000 (with the balance of \$170,000 to be paid at maturity on December 1, 2020).

The bonds maturing on December 1, 2022, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1, 2021 in the principal amount of \$175,000 (with the balance of \$185,000 to be paid at maturity on December 1, 2022).

The bonds maturing on December 1, 2026, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of \$225,000 to be paid at maturity on December 1, 2026):

Year	Principal Amount
2023	\$195,000
2024	205,000
2025	215,000

The bonds maturing on December 1, 2032, shall be term bonds and shall be subject to mandatory sinking fund redemption on December 1 in the years (Mandatory Redemption Dates) and in the principal amounts as follows (with the balance of \$295,000 to be paid at maturity on December 1, 2026):

Year	Principal Amount
2027	\$235,000
2028	245,000
2029	255,000
2030	270,000
2031	285,000

Optional Redemption The bonds maturing on and after December 1, 2017, are subject to prior redemption on or after June 1, 2017, by and at the sole option of the City, either in whole or in part (as selected by the City) on any date and in integral multiples of \$5,000, at par, plus accrued interest to the redemption date.

During 2006, the City entered into a loan agreement for the acquisition of a service garage. The loan had an interest rate of 4.52 to 5.32 percent and was paid from the capital improvements fund. This loan was paid in full during 2007.

During 2007, the City entered into a loan agreement for a construction project on South Water Street. The loan has an interest rate of 5.39 percent and will be paid from the capital improvements fund.

The State Infrastructure Bank Loan for the Water Street Project has not been finalized and therefore a repayment schedule is not included in the schedule of debt requirements. The loan has an interest rate of 3.00 percent.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

The police and fire pension liability will be paid from taxes receipted in the general fund. The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967.

Compensated absences will be paid from the general and street fund.

The City's overall legal debt margin was \$6,031,692 at December 31, 2007. The unvoted legal debt margin was \$3,159,458. Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2007, are as follows:

Year	Water Park Bond		South Water Street Loan		Police and Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$105,000	\$204,888	\$40,000	\$21,919	\$6,109	\$13,071
2009	105,000	200,687	40,000	19,674	6,372	12,808
2010	110,000	196,488	40,000	17,488	6,647	12,533
2011	115,000	192,087	40,000	15,302	6,930	12,250
2012	120,000	187,717	40,000	13,151	7,229	11,951
2013-2017	675,000	864,678	200,000	32,801	41,076	54,824
2018-2022	845,000	699,913	0	0	50,687	45,213
2023-2027	1,075,000	478,563	0	0	62,549	33,351
2028-2032	1,350,000	198,549	0	0	77,186	18,714
2033-2035	0	0	0	0	44,265	2,827
Totals	<u>\$4,500,000</u>	<u>\$3,223,570</u>	<u>\$400,000</u>	<u>\$120,335</u>	<u>\$309,050</u>	<u>\$217,542</u>

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. To address these various risks, the City belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risks up to \$350,000 per claim, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, up to \$10,000,000, from the General Reinsurance Corporations.

If losses exhaust PEP's retained earnings, APEEP provides "excess of funds available" coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000 (for claims on or after January 1, 2006) as noted above.

City of Uhrichsville, Ohio
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Property Coverage

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based up on the combined members' total insurable values. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Financial Position

The Pool's Financial Statements (audited by other accountants) conform to generally accepted accounting principles, and report the following:

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	17,340,825	16,738,904
Retained Earnings	\$20,219,246	\$19,384,290

At December 31, 2006, casualty coverage liabilities noted above include approximately \$14.4 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$110,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to determine the historical contributions required to be made to PEP for each year of membership are as follows:

<u>Contributions to PEP</u>	
2004	\$ 56,880
2005	55,423
2006	54,796

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

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.

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2007

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

Note 11 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in State and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007, this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2007

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$20,458, \$27,336, and \$23,398 respectively; 93.8 percent has been contributed for 2007 and 100 percent for 2006 and 2005. There were no contributions made to the member-directed plan for 2007.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's contributions to OP&F for police and firefighters were \$41,351 and \$47,186 for the year ended December 31, 2007, \$33,754 and \$45,802 for the year ended December 31, 2006 and \$38,108 and \$44,451 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 77.14 percent has been contributed for police and 71.84 percent has been contributed for firefighters for 2007.

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 firefighters in 1967. As of December 31, 2007, the unfunded liability of the City was \$309,050, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

City of Uhrichsville, Ohio
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For the Year Ended December 31, 2007

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$13,475, \$13,371, and \$9,800 respectively; 93.8 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

Plan Description – The City contributes to the OP&F sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to OP&F. Participating employers are required to

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$21,892 and \$18,464 for the year ended December 31, 2007, \$22,263 and \$21,844 for the year ended December 31, 2006, and \$25,135 and \$21,200 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 77.14 percent has been contributed for police and 71.84 percent has been contributed for firefighters for 2007.

C. Social Security System

As of December 31, 2007, two of the Council members have elected to be covered by Social Security rather than OPERS. The Council's liability is 6.2 percent of wages paid.

Note 13 - Other Employee Benefits

A. Compensated Absences

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

Employees earn sick leave at a rate of 4.6 hours per eighty hours of service. Unused sick leave accumulates without limit. Upon retirement or death, 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 accumulation up to a maximum payment of 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 accumulation up to a maximum payment of 90 days. Upon retirement or death, firefighters with five years of service but less than ten years of service can be paid one day's pay for every four days of accumulated sick leave, not to exceed payment of 1,084 hours. Firefighters with more than ten years of service can be paid one day's pay for every two days of accumulated sick leave, not to exceed payment of 2,160 hours.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

B. Health Insurance

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

C. Life and Accidental Death and Dismemberment Insurance

The City provides life insurance and accidental death and dismemberment insurance to all eligible full-time union firefighters in the amounts of \$22,000 and \$18,000, respectively; to all eligible full-time union police employees in the amounts of \$20,000 and \$20,000, respectively, and to all eligible full-time non-union employees in the amounts of \$20,000 and \$20,000, respectively, through Lincoln National.

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, 2007.

Note 15 - Jointly Governed Organizations

A. Community Improvement Corporation of Tuscarawas County (Corporation)

The sole purpose of the Corporation is to advance, encourage and promote the industrial, economic, commercial and civic development of the area. The Corporation is operated by Tuscarawas County, New Philadelphia, Dover, Uhrichsville, Dennison, Strasburg, Sugar Creek and Gnadenhutten. It is controlled by 25 trustees consisting of the three County Commissioners, the mayor of each participating city and fifteen elected trustees. The board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the board. During 2007, no monies were contributed by the City.

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 2007, no monies were contributed by the City.

C. Tuscarawas County Tax Incentive Review Council (TCTIRC)

TCTIRC was created as a regional council of governments pursuant to State statutes. TCTIRC has 48 participants, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 16 members appointed by township trustees, 1 member from the County Auditor's Office and 10 members appointed by boards of education located within the County. The TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. The body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative body that approved the agreement. There is no cost associated with being a member of the TCTIRC. The continued existence of the TCTIRC is not dependent upon the City's continued participation and no measurable equity interest exists. The City does not retain an ongoing financial interest or an ongoing financial responsibility with this organization. During 2007, no monies were contributed by the City.

Note 16 – Joint Venture

Twin City Water and Sewer District (District)

The District is a joint venture organized under Ohio Revised Code Section 6119.01, and is established to supply water and to provide for the collection, treatment and disposal of waste water within the Uhrichsville-Dennison district, or beyond with additional fees. The cities of Uhrichsville and Dennison each appoint two of the five District's board members. The fifth board member is appointed by the other four board members. Continued existence of the District is dependent on the City's continued participation; however, the City does not have an equity interest in the District. The District is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. During 2007, no monies were received from the City.

Note 17 – Public Entity Risk Pools

A. Risk Sharing Pool

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

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

City of Uhrichsville, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

B. Insurance Purchasing Pool

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

Note 18 – Transfers

Interfund transfers for the year ended December 31, 2007, consisted of one transfer from the general fund to the street fund in the amount of \$45,000 for the purpose of supporting the operations of the street department.

Note 19 – Contractual Commitments

The City had the following contractual commitments outstanding at December 31, 2007:

<u>Project</u>	<u>Contractor</u>	<u>Contract Amount Outstanding</u>
Water Park	The Knoch Corporation	\$1,951,500
	Davis Architectural Group	93,730
	Wood Electric, Inc.	<u>101,630</u>
		2,146,860
North Water Street	DeMattio Construction, Inc.	208,039
Newport Area Storm Sewer Improvements	Stillion Brothers Excavating	<u>363,648</u>
	Total	<u><u>\$2,718,547</u></u>



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

August 28, 2008

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

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

We have audited the financial statements of the City of Uhrichsville (the "City") as of and for the year ended December 31, 2007, and have issued our report thereon dated August 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected in the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 2007-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Mayor and Members of Council
City of Uhrichsville
August 28, 2008
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the reportable conditions described above, we consider item 2007-001 to be a material weakness. We also noted certain other matters that we have reported to management of the City in a separate letter dated August 28, 2008.

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 28, 2008.

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

Hea & Associates, Inc.

**CITY OF UHRICHSVILLE
TUSCARAWAS COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No

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

Material Weakness

Finding Number	2007-001
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The City regularly updates their asset listing with the insurance carrier and they are currently looking into purchasing a fixed asset system, however, they do not have a procedure in place to notify the GAAP service provider of fixed asset purchases, project completions, or sales in a complete and timely manner. The GAAP service provider then attempts to gather additions from the City's expenditure ledger. As a result, a multitude of adjustments were required to properly record asset balances on the financial statements. Also, the depreciation expense for the year was not accurately calculated and required adjustment.

We also noted the City has no impairment policy in place to adjust the values of their fixed assets. This could cause the values to be misstated.

We recommend the City purchase a fixed asset system and establish a procedure that will allow for the timely update of the fixed asset system. The procedure could include asset purchase forms that include the date purchased (or in the case of projects, the date put into service), amount, description of asset, asset type, vendor, fund charged, indication of whether state or federal grant money was used for equipment, and any other information the City may feel pertinent. All construction in process should also be detailed on a form indicating project name or number, amount to be charged to CIP, and when the project is complete, the completion date and total project cost. The system should be reviewed and reconciled to the purchase and disposal forms at least quarterly.

We also recommend the City adopt a fixed asset impairment policy.

City's Response:

The City Auditor is currently looking into purchasing a fixed asset program and entering all assets into the system to be regularly tracked and updated.



Mary Taylor, CPA
Auditor of State

CITY OF UHRICHSVILLE

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**