

**City of Uhrichsville**  
*Audited Financial Statements*

*December 31, 2011*





# Dave Yost • Auditor of State

Mayor and City Council  
City of Uhrichsville  
305 East Second Street  
Uhrichsville, Ohio 44683

We have reviewed the *Independent Auditor's Report* of the City of Uhrichsville, Tuscarawas County, prepared by Rea & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 17, 2102

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**CITY OF UHRICHSVILLE  
TUSCARAWAS COUNTY**

**DECEMBER 31, 2011**

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May 14, 2012

Mayor and Members of Council  
City of Uhrichsville  
305 East 2nd St.  
Uhrichsville, OH 44683

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Uhrichsville (the City) as of and for the year ended December 31, 2011, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2011, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Street Fund and CHIP Grant Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the City will continue as a going concern. As described in Note 22 to the financial statements, the City has suffered declining revenues subsequent to year end. This raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 22. The financial statements do not include any adjustments that might result from the outcome of uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2012 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 an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Uhrichsville  
Independent Auditor's Report

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Rea & Associates, Inc.*



**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

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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, 2011. 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***

Key financial highlights for 2011 are as follows:

- The East 2<sup>nd</sup> Street storm sewer project was completed, with State and Federal monies providing much of the funding.
- Net assets increased by \$569,825 from 2010 to 2011.

***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 2011 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 non-major funds presented in total in one column.

***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 2011. 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.

**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

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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 14. 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 six major funds: the general fund, the CHIP grant fund, the street fund, the capital improvement fund, the storm sewer fund and the water park fund.

**Governmental Funds** - All of the City's major activities (excluding the water park) 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.

**Proprietary Funds** - The City's only proprietary fund (the water park fund) is an enterprise fund which uses the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the City as a whole.

**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

**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 2011 as they compare to 2010.

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$ 3,089,377	\$ 2,596,343	\$ 130,328	\$ 142,099	\$ 3,219,705	\$ 2,738,442
Capital Assets	7,975,298	7,879,938	4,006,415	4,099,957	11,981,713	11,979,895
<b>Total Assets</b>	<b>11,064,675</b>	<b>10,476,281</b>	<b>4,136,743</b>	<b>4,242,056</b>	<b>15,201,418</b>	<b>14,718,337</b>
<b>Liabilities</b>						
Current Liabilities	641,373	866,897	34,546	16,536	675,919	883,433
Long-Term Liabilities:						
Due Within One Year	301,193	249,823	120,000	115,000	421,193	364,823
Due in More Than One Year	2,448,309	2,259,428	4,036,864	4,161,345	6,485,173	6,420,773
<b>Total Liabilities</b>	<b>3,390,875</b>	<b>3,376,148</b>	<b>4,191,410</b>	<b>4,292,881</b>	<b>7,582,285</b>	<b>7,669,029</b>
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	5,723,584	5,871,432	(58,585)	(80,043)	5,664,999	5,791,389
Restricted for:						
Capital Projects	793,565	507,153	0	0	793,565	507,153
Other Purposes	821,980	338,598	0	0	821,980	338,598
Unrestricted	334,671	382,950	3,918	29,218	338,589	412,168
<b>Total Net Assets</b>	<b>\$ 7,673,800</b>	<b>\$ 7,100,133</b>	<b>\$ (54,667)</b>	<b>\$ (50,825)</b>	<b>\$ 7,619,133</b>	<b>\$ 7,049,308</b>

Total assets increased in 2011 by \$483,081. The increase in total assets is primarily due to a large grant receivable at December 31, 2011. Current liabilities decreased \$207,514. This is due to the completion of the East Second Street storm sewer project and no remaining contracts or retainage payable. Long-term liabilities remained fairly consistent, as the City incurred debt to build, acquire, and improve capital assets, offset by the annual debt service payments.

**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

Table 2 shows the changes in net assets for the year ended December 31, 2011. Revenue and expense comparisons can be made between the years 2011 and 2010.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for Services and						
Sales	\$ 325,495	\$ 116,202	\$ 365,499	\$ 388,979	\$ 690,994	\$ 505,181
Operating Grants and Contributions	907,683	304,491	0	0	907,683	304,491
Capital Grants and Contributions	21,780	708,078	0	0	21,780	708,078
<b>Total Program Revenues</b>	<b>1,254,958</b>	<b>1,128,771</b>	<b>365,499</b>	<b>388,979</b>	<b>1,620,457</b>	<b>1,517,750</b>
<i>General Revenues:</i>						
Property Taxes	565,302	464,964	0	0	565,302	464,964
Income Taxes	1,306,917	1,091,542	0	0	1,306,917	1,091,542
Grants and Entitlements	319,915	367,601	0	0	319,915	367,601
Investment Earnings	8,614	9,020	0	0	8,614	9,020
Miscellaneous	82,690	50,230	15,181	2,698	97,871	52,928
<b>Total General Revenues</b>	<b>2,283,438</b>	<b>1,983,357</b>	<b>15,181</b>	<b>2,698</b>	<b>2,298,619</b>	<b>1,986,055</b>
<b>Total Revenues</b>	<b>3,538,396</b>	<b>3,112,128</b>	<b>380,680</b>	<b>391,677</b>	<b>3,919,076</b>	<b>3,503,805</b>
<b>Program Expenses</b>						
General Government	579,742	642,390	0	0	579,742	642,390
Security of Persons and Property	1,442,166	1,456,335	0	0	1,442,166	1,456,335
Transportation	476,756	447,185	0	0	476,756	447,185
Public Health Services	183,862	188,880	0	0	183,862	188,880
Community Environment	15,016	189,927	0	0	15,016	189,927
Leisure Time Activities	12,934	16,292	0	0	12,934	16,292
Interest and Fiscal Charges	72,160	83,917	0	0	72,160	83,917
Water Park	0	0	566,615	606,489	566,615	606,489
<b>Total Program Expenses</b>	<b>2,782,636</b>	<b>3,024,926</b>	<b>566,615</b>	<b>606,489</b>	<b>3,349,251</b>	<b>3,631,415</b>
Transfers	(182,093)	(181,488)	182,093	181,488	0	0
<b>Change in Net Assets</b>	<b>573,667</b>	<b>(94,286)</b>	<b>(3,842)</b>	<b>(33,324)</b>	<b>569,825</b>	<b>(127,610)</b>
Net Assets Beginning of Year	7,100,133	7,194,419	(50,825)	(17,501)	7,049,308	7,176,918
<b>Net Assets (Deficit) End of Year</b>	<b>\$ 7,673,800</b>	<b>\$ 7,100,133</b>	<b>\$ (54,667)</b>	<b>\$ (50,825)</b>	<b>\$ 7,619,133</b>	<b>\$ 7,049,308</b>

**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

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**Governmental Activities**

Several revenue sources fund governmental activities for the City with 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 the accrual basis, the City received income tax revenues of \$1,306,917 in 2011. This was an increase of \$215,375 from the \$1,091,542, which was received in 2010. The increase is due to more collections during 2011 due to the stabilization of the economy.

Security of persons and property represents the largest expense of the governmental activities. This expense of \$1,442,166 represents 51.83 percent of governmental expenses. The police department is a full time, 24 hours a day, 365 days a year department with seven officers and a full time Chief. The fire department is also full time and includes five officers and a full time Chief. This expense decreased by \$14,169, from 2010 to 2011 due to spending cuts.

General government represents 20.83 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 decreased from 2010 to 2011 by \$62,648, or 9.75 percent due to spending cuts.

The 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 \$476,756, or 17.13 percent, of governmental expenses in 2011. The transportation expense increased by \$29,571, or 6.61 percent, due to two new capital leases.

Public Health Services comprises 6.61 percent of governmental expenses and decreased \$5,018 from the prior year.

Community Development represents 0.54 percent of governmental expenses. This department's expenses decreased by \$174,911, or 92.09 percent, from the prior year, due to the ending of the hazard mitigation program and no current projects in 2011.

The remaining 3.06 percent of governmental expenses consist of Leisure Time Activities and Interest and Fiscal Charges. The Leisure Time Activities expense decreased by \$3,358. Interest and Fiscal Charges decreased by \$11,757.

**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

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***The City's Funds***

***Governmental Funds***

Information about the City's governmental funds begins on page 14. These funds are accounted for using the modified accrual method of accounting. All governmental funds had total revenues of \$2,903,537 and expenditures of \$3,204,967. The City's general fund reflected a decrease in fund balance of \$181,381. The street fund, CHIP grant fund, the storm sewer assessment fund, and the capital improvement fund had fund balances of \$53,424, \$12,990, \$419,000, and \$211,874 respectively.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, street fund, CHIP grant fund, storm sewer fund and the capital improvement fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Cash and Cash Equivalents for all governmental funds decreased from \$1,304,836 in 2010 to \$1,063,127 in 2011 which is a decrease of 18.52 percent. This decrease is due mainly to expenditures exceeding revenues in 2011.

***Business-Type Fund***

As mentioned earlier, the City's lone business-type activity is the water park fund. Total assets decreased by \$105,313, or 2.57 percent, from 2010 to 2011 while total liabilities decreased by \$101,471, or 2.36 percent from 2010 to 2011. Ending net assets decreased by \$3,842 or 7.56 percent, from (\$50,825) in 2010 to (\$54,667) in 2011. The capital improvement fund transferred \$182,093 to the water park fund to provide sufficient resources to pay debt which had been done by the general fund in previous years.

***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. The 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 of \$1,896,454, which was \$292,887 higher than the original appropriations of \$1,603,567 due to a revision of forecasted expenditures. Actual revenues were \$65,921 (excluding other financing sources) more than the final budget. Actual expenditures were \$6,735 (excluding other financing uses) less than the final budget.

All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them and makes recommendations to 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.

**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

**Capital Assets**

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,143,850	\$ 1,143,850	\$ 0	\$ 0	\$ 1,143,850	\$ 1,143,850
Construction in Progress	0	16,885	0	0	0	16,885
Buildings and Improvements	466,043	424,044	3,985,661	4,072,836	4,451,704	4,496,880
Equipment	440,530	556,958	20,754	27,121	461,284	584,079
Vehicles	894,711	637,658	0	0	894,711	637,658
Infrastructure						
Storm Sewers	1,726,862	1,709,866	0	0	1,726,862	1,709,866
Roads	3,303,302	3,390,677	0	0	3,303,302	3,390,677
Totals	<u>\$ 7,975,298</u>	<u>\$ 7,879,938</u>	<u>\$ 4,006,415</u>	<u>\$ 4,099,957</u>	<u>\$ 11,981,713</u>	<u>\$ 11,979,895</u>

Total capital assets for the City of Uhrichsville as of December 31, 2011 amounted to \$11,981,713, which is an increase of \$1,818 from 2010. The most significant increase is due to the City leasing a new street sweeper and backhoe and completion of the E. 2<sup>nd</sup> Street storm sewer. For more information about the City's capital assets, see Note 10 in basic financial statements.

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**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

**Debt**

As of December 31, 2011, the City of Uhrichsville had the following in outstanding debt:

**(Table 4)**  
**Outstanding Debt, at Year End**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
South Water Street Loan - First National Bank	\$ 240,000	\$ 280,000	\$ 0	\$ 0	\$ 240,000	\$ 280,000
South Water Street Loan - State Infrastructure Bank	578,893	665,714	0	0	578,893	665,714
Newport Area South Sewer Improvement OPWC Loan	280,580	295,347	0	0	280,580	295,347
Newport Area South Sewer Improvement OWDA Loan	263,152	278,590	0	0	263,152	278,590
East 2nd Street Storm Sewer OPWC	90,250	77,360	0	0	90,250	77,360
East 2nd Street Storm Sewer OWDA	138,397	0	0	0	138,397	0
Clay Museum	75,000	0	0	0	75,000	0
Police and Fire Pension	282,993	289,924	0	0	282,993	289,924
Water Park Building General Obligation Bond	0	0	4,065,000	4,180,000	4,065,000	4,180,000
Unamortized Premium on Bond	0	0	91,864	96,345	91,864	96,345
Capital Lease	585,444	411,495	0	0	585,444	411,495
<i>Total</i>	<u>\$ 2,534,709</u>	<u>\$ 2,298,430</u>	<u>\$ 4,156,864</u>	<u>\$ 4,276,345</u>	<u>\$ 6,691,573</u>	<u>\$ 6,574,775</u>

During 2011, the City issued \$17,640 in OPWC loans and \$173,749 in OWDA loans to pay for the East 2<sup>nd</sup> Street storm sewer improvement project. The City also entered into a \$75,000 loan for the purchase of the Clay Museum property. 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.

The City also entered into two capital leases during the year for a new street sweeper and backhoe. The City also has an ongoing lease of a fire truck. A thorough discussion of the debt can be found in Note 11 in the notes to the basic financial statements.

***Current Financial Related Issues***

In 2011, the City contracted into two lease purchases for a new street sweeper and a new Case backhoe from the storm sewer assessment fund. The City also did engineering for our Westside storm sewer project. This project should be started sometime in 2012. The City also continued our W. Third Street sidewalk project from our CDBG monies from the county. The City's fire department received a \$130,000 grant which they purchased new radios, new computer and new air paks for the department.



**City of Uhrichsville, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*

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***Contacting the City'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 2<sup>nd</sup> Street, Uhrichsville, Ohio 44683, (740) 922-9344.

**City of Uhrichville**  
*Statement of Net Assets*  
*December 31, 2011*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,063,127	\$ 38,464	\$ 1,101,591
Receivables:			
Income Taxes	448,927	0	448,927
Property Taxes	598,789	0	598,789
Accounts	20,605	0	20,605
Intergovernmental	813,306	0	813,306
Special Assessments	43,922	0	43,922
Loans Receivable	56,843	0	56,843
Materials and Supplies Inventory	14,352	0	14,352
Prepaid Items	29,506	0	29,506
Deferred Charges	0	91,864	91,864
Non-Depreciable Capital Assets	1,143,850	0	1,143,850
Depreciable Capital Assets, Net	6,831,448	4,006,415	10,837,863
<i>Total Assets</i>	<u>11,064,675</u>	<u>4,136,743</u>	<u>15,201,418</u>
<b>Liabilities</b>			
Accounts Payable	41,927	2,949	44,876
Accrued Wages	5,845	0	5,845
Intergovernmental Payable	59,743	14,324	74,067
Accrued Interest Payable	11,429	15,643	27,072
Deferred Revenue	522,429	1,630	524,059
Long-Term Liabilities:			
Due Within One Year	301,193	120,000	421,193
Due in More Than One Year	2,448,309	4,036,864	6,485,173
<i>Total Liabilities</i>	<u>3,390,875</u>	<u>4,191,410</u>	<u>7,582,285</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,723,584	(58,585)	5,664,999
Restricted for Capital Outlay	793,565	0	793,565
Restricted for Other Purposes	821,980	0	821,980
Unrestricted	334,671	3,918	338,589
<i>Total Net Assets</i>	<u>\$ 7,673,800</u>	<u>\$ (54,667)</u>	<u>\$ 7,619,133</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Statement of Activities*  
For the Year Ended December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 579,742	\$ 83,074	\$ 0	\$ 0	\$ (496,668)	\$ 0	\$ (496,668)
Security of Persons and Property	1,442,166	55,546	156,279	17,273	(1,213,068)	0	(1,213,068)
Public Health	183,862	184,523	14,655	0	15,316	0	15,316
Leisure Time Activities	12,934	0	7,289	0	(5,645)	0	(5,645)
Community and Economic Development	15,016	0	508,636	3,926	497,546	0	497,546
Transportation	476,756	2,352	220,824	581	(252,999)	0	(252,999)
Interest and Fiscal Charges	72,160	0	0	0	(72,160)	0	(72,160)
<i>Total Governmental Activities</i>	<u>2,782,636</u>	<u>325,495</u>	<u>907,683</u>	<u>21,780</u>	<u>(1,527,678)</u>	<u>0</u>	<u>(1,527,678)</u>
<b>Business-Type Activities:</b>							
Water Park	566,615	365,499	0	0	0	(201,116)	(201,116)
<i>Total Business-Type Activities</i>	<u>566,615</u>	<u>365,499</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(201,116)</u>	<u>(201,116)</u>
<i>Total - Primary Government</i>	<u>\$ 3,349,251</u>	<u>\$ 690,994</u>	<u>\$ 907,683</u>	<u>\$ 21,780</u>	<u>(1,527,678)</u>	<u>(201,116)</u>	<u>(1,728,794)</u>
<b>General Revenues:</b>							
Property Taxes Levied for:							
General Purposes					259,305	0	259,305
Capital Projects					97,179	0	97,179
Hospital					94,548	0	94,548
Parks and Recreation					24,295	0	24,295
Ambulance					60,823	0	60,823
Police and Fire Pension					29,152	0	29,152
Income Taxes Levied for:							
General Purposes					1,026,863	0	1,026,863
Capital Improvements					280,054	0	280,054
Grants and Entitlements not Restricted to Specific Programs					319,915	0	319,915
Investment Earnings					8,614	0	8,614
Miscellaneous					82,690	15,181	97,871
<i>Total General Revenues</i>					<u>2,283,438</u>	<u>15,181</u>	<u>2,298,619</u>
Transfers					(182,093)	182,093	0
<i>Total General Revenues and Transfers</i>					<u>2,101,345</u>	<u>197,274</u>	<u>2,298,619</u>
<i>Change in Net Assets</i>					573,667	(3,842)	569,825
<i>Net Assets Beginning of Year</i>					<u>7,100,133</u>	<u>(50,825)</u>	<u>7,049,308</u>
<i>Net Assets End of Year</i>					<u>\$ 7,673,800</u>	<u>\$ (54,667)</u>	<u>\$ 7,619,133</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2011*

	General Fund	Street Fund	CHIP Grant Fund	Storm Sewer Assessment Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 280,967	\$ 20,549	\$ 12,990	\$ 419,000	\$ 119,558	\$ 210,063	\$ 1,063,127
Receivables:							
Income Taxes	352,728	0	0	0	96,199	0	448,927
Property Taxes	274,060	0	0	0	0	324,729	598,789
Accounts	20,605	0	0	0	0	0	20,605
Intergovernmental	130,300	109,906	487,500	0	0	85,600	813,306
Special Assessments	0	0	0	43,922	0	0	43,922
Loans Receivable	0	0	0	0	56,843	0	56,843
Materials and Supplies Inventory	7,231	7,121	0	0	0	0	14,352
Prepaid Items	29,506	0	0	0	0	0	29,506
<i>Total Assets</i>	<u>\$ 1,095,397</u>	<u>\$ 137,576</u>	<u>\$ 500,490</u>	<u>\$ 462,922</u>	<u>\$ 272,600</u>	<u>\$ 620,392</u>	<u>\$ 3,089,377</u>
<b>Liabilities</b>							
Accounts Payable	\$ 23,386	4,101	0	\$ 0	\$ 0	\$ 14,440	\$ 41,927
Accrued Wages	2,510	3,335	0	0	0	0	5,845
Intergovernmental Payable	11,134	3,185	0	0	0	45,424	59,743
Deferred Revenue	589,207	73,531	487,500	43,922	60,726	324,729	1,579,615
<i>Total Liabilities</i>	<u>626,237</u>	<u>84,152</u>	<u>487,500</u>	<u>43,922</u>	<u>60,726</u>	<u>384,593</u>	<u>1,687,130</u>
<b>Fund Balances</b>							
Nonspendable	36,737	7,121	0	0	0	0	43,858
Restricted	0	46,303	12,990	419,000	211,874	189,531	879,698
Committed	0	0	0	0	0	88,416	88,416
Unassigned	432,423	0	0	0	0	(42,148)	390,275
<i>Total Fund Balances</i>	<u>469,160</u>	<u>53,424</u>	<u>12,990</u>	<u>419,000</u>	<u>211,874</u>	<u>235,799</u>	<u>1,402,247</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,095,397</u>	<u>\$ 137,576</u>	<u>\$ 500,490</u>	<u>\$ 462,922</u>	<u>\$ 272,600</u>	<u>\$ 620,392</u>	<u>\$ 3,089,377</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2011*

<b>Total Governmental Fund Balances</b>		\$ 1,402,247
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,975,298
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 76,360	
Income Taxes	283,387	
Intergovernmental	653,517	
Special Assessments	<u>43,922</u>	
Total		1,057,186
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(11,429)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Loans Payable	(1,666,272)	
Police and Fire Pension	(282,993)	
Capital Leases	(585,444)	
Compensated Absences	<u>(214,793)</u>	
Total		<u>(2,749,502)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 7,673,800</u></u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General Fund	Street Fund	CHIP Grant Fund	Storm Sewer Assessment Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$ 253,434	\$ 0	\$ 0	\$ 0	\$ 0	\$ 299,032	\$ 552,466
Income Taxes	954,106	0	0	0	260,211	0	1,214,317
Special Assessments	0	0	0	140,601	3,926	0	144,527
Charges for Services	33,894	2,352	0	0	0	21,128	57,374
Licenses and Permits	69,644	0	0	0	0	0	69,644
Fines and Forfeitures	11,723	0	0	0	0	524	12,247
Intergovernmental	316,252	226,440	21,136	0	0	190,290	754,118
Interest	8,614	0	0	0	0	0	8,614
Rent	1,707	0	0	0	0	0	1,707
Contributions and Donations	0	47	0	0	0	5,786	5,833
Other	2,817	13,044	0	65,000	179	1,650	82,690
<i>Total Revenues</i>	<u>1,652,191</u>	<u>241,883</u>	<u>21,136</u>	<u>205,601</u>	<u>264,316</u>	<u>518,410</u>	<u>2,903,537</u>
<b>Expenditures</b>							
Current:							
General Government	558,602	0	0	0	0	0	558,602
Security of Persons and Property	1,166,074	0	0	0	0	225,131	1,391,205
Public Health	2,090	0	0	24,355	0	100,125	126,570
Leisure Time Activities	0	0	0	0	0	58,530	58,530
Community and Economic Development	0	0	15,016	0	0	0	15,016
Transportation	0	326,315	0	0	31,156	2,500	359,971
Capital Outlay	0	0	0	199,244	159,726	0	358,970
Debt Service:							
Principal Retirement	6,931	0	0	70,307	126,821	61,047	265,106
Interest and Fiscal Charges	12,249	0	0	5,058	34,597	19,093	70,997
<i>Total Expenditures</i>	<u>1,745,946</u>	<u>326,315</u>	<u>15,016</u>	<u>298,964</u>	<u>352,300</u>	<u>466,426</u>	<u>3,204,967</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(93,755)</u>	<u>(84,432)</u>	<u>6,120</u>	<u>(93,363)</u>	<u>(87,984)</u>	<u>51,984</u>	<u>(301,430)</u>
<b>Other Financing Sources (Uses)</b>							
Transfers In	9,065	95,000	0	0	0	1,691	105,756
Proceeds of Loans	0	0	0	0	75,000	0	75,000
Proceeds of OPWC Loans	0	0	0	17,640	0	0	17,640
Proceeds of OWDA Loans	0	0	0	173,749	0	0	173,749
Proceeds from Sale of Capital Assets	0	0	0	0	67,000	0	67,000
Inception of Capital Lease	0	0	0	175,268	59,728	0	234,996
Transfers Out	(96,691)	0	0	0	(182,093)	(9,065)	(287,849)
<i>Total Other Financing Sources (Uses)</i>	<u>(87,626)</u>	<u>95,000</u>	<u>0</u>	<u>366,657</u>	<u>19,635</u>	<u>(7,374)</u>	<u>386,292</u>
<i>Net Change in Fund Balance</i>	<u>(181,381)</u>	<u>10,568</u>	<u>6,120</u>	<u>273,294</u>	<u>(68,349)</u>	<u>44,610</u>	<u>84,862</u>
<i>Fund Balance Beginning of Year</i>	<u>650,541</u>	<u>42,856</u>	<u>6,870</u>	<u>145,706</u>	<u>280,223</u>	<u>191,189</u>	<u>1,317,385</u>
<i>Fund Balance End of Year</i>	<u>\$ 469,160</u>	<u>\$ 53,424</u>	<u>\$ 12,990</u>	<u>\$ 419,000</u>	<u>\$ 211,874</u>	<u>\$ 235,799</u>	<u>\$ 1,402,247</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*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, 2011*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	84,862
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Asset Additions	\$ 533,602	
Current Year Depreciation	<u>(336,140)</u>	
Total		197,462
Governmental funds only report the disposal of and transfers of capital assets to business-type activities to the extent proceeds are received from the sale.		
In the statement of activities, a gain or loss is reported for each disposal.		
		(102,102)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent Property Taxes	12,836	
Deferred Income Taxes	92,600	
Special Assessments	43,922	
Intergovernmental	<u>485,501</u>	
Total		634,859
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Loan Payable	126,821	
OWDA Loan Payable	50,790	
OPWC Loan Payable	19,517	
Capital Lease Payable	61,047	
Police and Fire Pension Principal	<u>6,931</u>	
Total		265,106
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		(1,163)
Inception of capital lease in the governmental funds that increases long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.		
		(234,996)
Loan proceeds in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.		
		(266,389)
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.		
		<u>(3,972)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u>573,667</u>

**City of Uhrichsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 282,800	\$ 282,800	\$ 253,434	\$ (29,366)
Income Taxes	893,977	893,977	957,963	63,986
Charges for Services	24,394	24,394	26,140	1,746
Licenses and Permits	65,800	65,800	70,510	4,710
Fines and Forfeitures	10,940	10,940	11,723	783
Intergovernmental	323,471	323,471	346,623	23,152
Interest	8,474	8,474	9,081	607
Rent	1,593	1,593	1,707	114
Other	2,651	2,651	2,840	189
<i>Total Revenues</i>	<u>1,614,100</u>	<u>1,614,100</u>	<u>1,680,021</u>	<u>65,921</u>
<b>Expenditures</b>				
Current:				
General Government	532,056	595,962	589,227	6,735
Security of Persons and Property	1,050,611	1,182,531	1,182,531	0
Public Health Services	1,700	2,090	2,090	0
Debt Service:				
Principal Retirement	6,931	6,931	6,931	0
Interest and Fiscal Charges	12,269	12,249	12,249	0
<i>Total Expenditures</i>	<u>1,603,567</u>	<u>1,799,763</u>	<u>1,793,028</u>	<u>6,735</u>
<i>Excess of Revenues Over Expenditures</i>	<u>10,533</u>	<u>(185,663)</u>	<u>(113,007)</u>	<u>72,656</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	9,065	9,065
Transfers Out	0	(96,691)	(96,691)	0
<i>Net Change in Fund Balance</i>	10,533	(282,354)	(200,633)	81,721
<i>Fund Balance Beginning of Year</i>	<u>481,600</u>	<u>481,600</u>	<u>481,600</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 492,133</u>	<u>\$ 199,246</u>	<u>\$ 280,967</u>	<u>\$ 81,721</u>

See accompanying notes to the basic financial statements.



**City of Uhrichsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Street Fund*  
*For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for Services	\$ 0	\$ 3,417	\$ 2,352	\$ (1,065)
Intergovernmental	230,500	330,881	227,737	(103,144)
Contributions and Donations	0	68	47	(21)
Other	3,000	3,734	2,570	(1,164)
<i>Total Revenues</i>	<u>233,500</u>	<u>338,100</u>	<u>232,706</u>	<u>(105,394)</u>
<b>Expenditures</b>				
Current:				
Transportation	232,379	334,893	332,896	1,997
<i>Excess of Revenues Over Expenditures</i>	<u>1,121</u>	<u>3,207</u>	<u>(100,190)</u>	<u>(103,397)</u>
<b>Other Financing Sources</b>				
Transfers In	0	0	95,000	95,000
Insurance Recoveries	0	0	10,474	10,474
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>105,474</u>	<u>105,474</u>
<i>Net Change in Fund Balance</i>	1,121	3,207	5,284	2,077
<i>Fund Balance Beginning of Year</i>	<u>15,265</u>	<u>15,265</u>	<u>15,265</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 16,386</u>	<u>\$ 18,472</u>	<u>\$ 20,549</u>	<u>\$ 2,077</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*CHIP Grant Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 0	\$ 21,100	\$ 21,136	\$ 36
<b>Expenditures</b>				
Current:				
Community and Economic Development	0	15,020	15,016	4
<i>Excess of Revenues Over Expenditures</i>	0	6,080	6,120	40
<i>Net Change in Fund Balance</i>	0	6,080	6,120	40
<i>Fund Balance Beginning of Year</i>	6,870	6,870	6,870	0
<i>Fund Balance End of Year</i>	<u>\$ 6,870</u>	<u>\$ 12,950</u>	<u>\$ 12,990</u>	<u>\$ 40</u>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*December 31, 2011*

	Water Park
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 38,464
<i>Non-Current Assets:</i>	
Deferred Charges	91,864
Depreciable Capital Assets, Net	4,006,415
<i>Total Non-Current Assets</i>	4,098,279
<i>Total Assets</i>	4,136,743
<b>Liabilities</b>	
<i>Current Liabilities:</i>	
Accounts Payable	2,949
Intergovernmental Payable	14,324
Accrued Interest Payable	15,643
Unearned Revenue	1,630
General Obligation Bonds Payable	120,000
<i>Total Current Liabilities</i>	154,546
<i>Long-Term Liabilities:</i>	
General Obligation Bonds Payable - Net of Current Portion	4,036,864
<i>Total Liabilities</i>	4,191,410
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	(58,585)
Unrestricted	3,918
<i>Total Net Assets</i>	\$ (54,667)

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Year Ended December 31, 2011*

	Water Park
<b>Operating Revenues</b>	
Charges for Services	\$ 363,153
Rent	2,346
Other	2,530
	368,029
<i>Total Operating Revenues</i>	<i>368,029</i>
<b>Operating Expenses</b>	
Personal Services	98,206
Fringe Benefits	28,526
Contractual Services	117,991
Materials and Supplies	36,601
Depreciation	93,542
	374,866
<i>Total Operating Expenses</i>	<i>374,866</i>
<i>Operating Income (Loss)</i>	<i>(6,837)</i>
<b>Non-Operating Revenues (Expenses)</b>	
Insurance Proceeds	12,651
Interest and Fiscal Charges	(191,749)
	(179,098)
<i>Total Non-Operating Revenues (Expenses)</i>	<i>(179,098)</i>
<i>Income (Loss) Before Transfers</i>	<i>(185,935)</i>
Transfers In	182,093
	182,093
<i>Total Other Financing Sources (Uses)</i>	<i>182,093</i>
<i>Change in Net Assets</i>	<i>(3,842)</i>
<i>Net Assets Beginning of Year</i>	<i>(50,825)</i>
<i>Net Assets End of Year</i>	<i>\$ (54,667)</i>

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Year Ended December 31, 2011*

	Water Park
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 367,129
Other Operating Receipts	2,530
Cash Payments to Suppliers for Goods and Services	(36,601)
Cash Payments for Employees Services and Benefits	(112,408)
Cash Payments for Contractual Services	(115,571)
<i>Net Cash Provided by Operating Activities</i>	105,079
<b>Cash Flows from Noncapital Financing Activities</b>	
Insurance Proceeds	12,651
Transfers In	182,093
<i>Net Cash Provided by Noncapital Financing Activities</i>	194,744
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Payments on Debt	(115,000)
Interest Payments on Debt	(192,113)
<i>Net Cash Used for Capital and Related Financing Activities</i>	(307,113)
<i>Net Decrease in Cash and Cash Equivalents</i>	(7,290)
<i>Cash and Cash Equivalents Beginning of Year</i>	45,754
<i>Cash and Cash Equivalents End of Year</i>	\$ 38,464
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
<i>Operating Income (Loss)</i>	\$ (6,837)
Adjustments:	
Depreciation	93,542
Increase (Decrease) in Liabilities:	
Accounts Payable	2,420
Intergovernmental Payable	14,324
Unearned Revenue	1,630
<i>Net Cash Provided by Operating Activities</i>	\$ 105,079

See accompanying notes to the basic financial statements.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 1 – Description of the City and Reporting Entity**

The City of Uhrichsville (the “City”) is located in Tuscarawas County, Ohio, approximately 40 miles southeast of the City of Canton and has a population of approximately 5,630. 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 Program, an insurance purchasing pool. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the City of Uhrichsville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business type activity unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The more significant of the City's accounting policies are described below.

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net 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 distinguish between those activities of the City that are governmental and those that are considered business-type.

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

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

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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 either governmental or proprietary.

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

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

**Street Fund** The street special revenue fund is used to account for that portion of the state gasoline tax and motor vehicle registration fees designated for maintenance of the streets within the City.

**CHIP Grant Fund** The CHIP grant special revenue fund is used to account for grants for community and economic development activities and assistance.

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

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

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

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

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

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



**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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.

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

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

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). 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.

Property taxes for which there is an enforceable legal claim as of December 31, 2011 but which were levied to finance year 2012 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.” Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

Under existing Ohio statutes, the City has, by resolution, identified the general fund and the water park enterprise fund to receive an allocation of interest. Interest revenue credited to the general fund during 2011 amounted to \$8,614, which includes \$5,876 assigned from other City funds.

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

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. Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.”

**F. Inventory**

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

**G. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All capital assets are depreciated except for land and construction 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
Equipment and Machinery	5-25 years
Infrastructure	20 years
Vehicles	15 years

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

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary funds financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences 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 of other governments. Net assets restricted for other purposes include parks and recreation, hospital levy, and 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.

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**K. Fund Balance**

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

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

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City.

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

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

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***L. Operating Revenues and Expenses***

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

***M. Internal Activity***

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

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.

***N. Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the water park bond is being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method. On the governmental financial statements, issuance costs are reported as an expenditure in the year in which the bonds are issued. Bond issuance costs are generally paid from bond proceeds.

As permitted by State Statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

***O. Bond Premium***

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

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***P. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2011.

***Q. Estimates***

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

***R. Budgetary Process***

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

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

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 – Changes in Accounting Principles**

***A. Change in Accounting Principles***

For the year ended December 31, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 3 – Changes in Accounting Principles (Continued)**

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the City.

**Note 4 – Accountability**

**A. Fund Deficits**

The police pension and fire pension special revenue funds had deficit fund balances at December 31, 2011, of \$19,096 and \$23,052, respectively. The water park enterprise fund had a deficit balance at December 31, 2011 of \$54,667. The deficit fund balances are due to the recognition of accrued liabilities. The general fund is liable for any deficit balance and provides transfers when cash is required, not when accruals occur.

**B. Compliance**

The City had a significant number of expenditures in which the invoice was dated prior to the purchase order and a then and now certificate was not completed. This is contrary to Ohio Revised Code Section 5705.41(D). Management has indicated that expenditures will be closely monitored to ensure no future violations.

**Note 5 – Budgetary Basis of Accounting**

**A. Budgetary Basis**

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 and major special revenue funds 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:



**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 5 – Budgetary Basis of Accounting (Continued)**

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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

Net Change in Fund Balance  
General and Major Special Revenue Funds

	General	Street Fund	CHIP Grant Fund
GAAP Basis	\$ (181,381)	\$ 10,568	\$ 6,120
Net Adjustment for Revenue Accruals	27,830	1,297	0
Net Adjustment for Expenditure Accruals	(47,082)	(6,581)	0
Budget Basis	\$ (200,633)	\$ 5,284	\$ 6,120

**Note 6 – Deposits and Investments**

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

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

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

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

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 6 – Deposits and Investments (Continued)**

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.

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

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

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

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

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 6 – Deposits and Investments (Continued)**

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

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

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2011, the City and public depositories complied with the provisions of these statutes.

**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 \$318,063 and the bank balance was \$1,145,545. Of the bank balance \$263,704 was covered by Federal depository insurance and \$881,841 was exposed to custodial credit risk because it was uninsured and uncollateralized. The investment sweep balance was \$783,528. 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.

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.

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 7 – Receivables**

Receivables at December 31, 2011, consisted primarily of taxes, accounts (billings for user charged services), special assessments, loans receivable and intergovernmental receivables arising from grants, entitlements, and shared revenues. The loan receivable is a land installment contract in which the City will receive monthly payments over the next twenty years. No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables, except property taxes and loans, are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Note 8 – Property Tax**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes.

2011 real property taxes were levied after October 1, 2011 on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The full tax rate for all City operations for the year ended December 31, 2011, was \$12.40 per \$1,000 of assessed valuation. The assessed values of real property upon which 2011 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	\$ 52,323,560
Public Utilities - Real	46,680
Public Utilities - Personal	2,130,970
Total Assessed Value	\$ 54,501,210

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 8 – Property Tax (Continued)**

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

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

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Uhrichsville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2011, 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 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**Note 9 – 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.

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**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 10 – Capital Assets**

A summary of changes in capital assets during 2011 follows:

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 1,143,850	\$ 0	\$ 0	\$ 1,143,850
Construction in Progress	16,885	0	(16,885)	0
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,160,735</u>	<u>0</u>	<u>(16,885)</u>	<u>1,143,850</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings Improvements	545,233	100,000	(48,292)	596,941
Equipment and Machinery	648,707	188,446	(47,000)	790,153
Vehicles	1,767,182	198,268	(339,326)	1,626,124
Infrastructure:				
Storm Sewers	1,807,343	63,773	0	1,871,116
Roads	3,594,438	0	0	3,594,438
<i>Total Capital Assets, Being Depreciated</i>	<u>8,362,903</u>	<u>550,487</u>	<u>(434,618)</u>	<u>8,478,772</u>
<i>Less Accumulated Depreciation:</i>				
Buildings Improvements	(121,189)	(12,124)	2,415	(130,898)
Equipment and Machinery	(353,641)	(40,632)	44,650	(349,623)
Vehicles	(867,632)	(149,232)	285,451	(731,413)
Infrastructure:				
Storm Sewers	(97,477)	(46,777)	0	(144,254)
Roads	(203,761)	(87,375)	0	(291,136)
<i>Total Accumulated Depreciation</i>	<u>(1,643,700)</u>	<u>(336,140) *</u>	<u>332,516</u>	<u>(1,647,324)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>6,719,203</u>	<u>214,347</u>	<u>(102,102)</u>	<u>6,831,448</u>
<i>Total Governmental Activity Capital Assets, Net</i>	<u>\$ 7,879,938</u>	<u>\$ 214,347</u>	<u>\$ (118,987)</u>	<u>\$ 7,975,298</u>

The City reclassified certain assets in 2011. The amounts for December 31, 2010 were updated to include these changes to ensure comparability with 2011 amounts.

\*Depreciation expense was charged to governmental functions as follows:

General Government	\$ 16,984
Security of Persons and Property	114,665
Transportation	145,796
Public Health Services	57,292
Leisure Time Activities	<u>1,403</u>
<b>Total Depreciation Expense</b>	<u><u>\$ 336,140</u></u>

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 10 – Capital Assets (Continued)**

	Balance 1/1/2011	Additions	Deletions	Balance 12/31/2011
<b>Business-Type Activities:</b>				
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	\$ 4,288,451	\$ 0	\$ 0	\$ 4,288,451
Equipment and Machinery	41,750	0	0	41,750
<i>Total Capital Assets, Being Depreciated</i>	<u>4,330,201</u>	<u>0</u>	<u>0</u>	<u>4,330,201</u>
 <i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(215,615)	(87,175)	0	(302,790)
Equipment and Machinery	(14,629)	(6,367)	0	(20,996)
<i>Total Accumulated Depreciation</i>	<u>(230,244)</u>	<u>(93,542)</u>	<u>0</u>	<u>(323,786)</u>
 <i>Total Business-Type Capital Assets, Net</i>	 <u>\$ 4,099,957</u>	 <u>\$ (93,542)</u>	 <u>\$ 0</u>	 <u>\$ 4,006,415</u>

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**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 11 – Long-Term Obligations**

Changes in long-term obligations of the City during the year ended December 31, 2011, were as follows:

	Principal Balance 1/1/2011	Additions	(Reductions)	Principal Balance 12/31/2011	Due in One Year
<b>Governmental Activities:</b>					
South Water Street Loan	\$ 280,000	\$ 0	\$ (40,000)	\$ 240,000	\$ 40,000
State Infrastructure Bank Loan	665,714	0	(86,821)	578,893	89,445
Newport Area Storm Sewer OPWC Loan	295,347	0	(14,767)	280,580	14,767
Newport Area Storm Sewer OWDA Loan	278,590	0	(15,438)	263,152	15,661
East 2nd Street Storm Sewer OPWC Loan	77,360	17,640	(4,750)	90,250	4,750
East 2nd Street Storm Sewer OWDA Loan	0	149,191	(10,794)	138,397	7,370
East 2nd Street Storm Sewer OWDA Loan-ARRA	0	24,558	(24,558)	0	0
Clay Museum Loan	0	75,000	0	75,000	5,000
Police and Fire Pension	289,924	0	(6,931)	282,993	7,229
Compensated Absences	210,821	23,974	(20,002)	214,793	4,298
Capital Lease	411,495	234,996	(61,047)	585,444	112,673
<i>Total Governmental Activities</i>	<u>\$ 2,509,251</u>	<u>\$ 525,359</u>	<u>\$ (285,108)</u>	<u>\$ 2,749,502</u>	<u>\$ 301,193</u>
<b>Business-Type Activities:</b>					
Water Park General Obligation Bonds:					
Term Bonds	\$ 4,180,000	\$ 0	\$ (115,000)	\$ 4,065,000	\$ 120,000
Unamortized Premium on Bonds	96,345	0	(4,481)	91,864	0
<i>Total Business-Type Activities</i>	<u>\$ 4,276,345</u>	<u>\$ 0</u>	<u>\$ (119,481)</u>	<u>\$ 4,156,864</u>	<u>\$ 120,000</u>

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 3.8 to 4.75 percent and will be paid from the water park enterprise fund with user charges to the extent monies are available. Additional monies will be transferred in from the capital improvement fund as needed. The bonds will be paid through 2034.

**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**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 11 – Long-Term Obligations (Continued)**

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):

<u>Year</u>	<u>Principal Amount</u>
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, 2032):

<u>Year</u>	<u>Principal Amount</u>
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.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 11 – Long-Term Obligations (Continued)**

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

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

During 2011, the City entered into a loan agreement with the purchase of the Clay Museum building. The loan has an interest rate of 6.50 percent and will be paid from the capital improvements fund. Payments will begin in September 2012. The loan will be fully repaid in 2025. This loan will be paid from the capital improvement fund.

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

In 2010, the City was awarded a loan from OPWC in the amount of \$95,000 for the East 2<sup>nd</sup> Street storm sewer improvement project. The loan is interest free and matures in 2031. This loan will be paid from the storm sewer assessment fund.

The City was awarded a loan from OWDA (combined with American Recovery and Reinvestment Act (ARRA) to finance the East 2<sup>nd</sup> Street storm sewer project. The total amount of the loan is \$603,782. During 2011, the activity was \$24,558 of ARRA loan forgiveness and \$149,191 in disbursed funds. This loan will be paid from the storm sewer assessment fund.

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

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

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 11 – Long-Term Obligations (Continued)**

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2011, are as follows:

	Governmental Activities				
	South Water		State Infrastructure		OPWC Loans
	Street Loan		Bank Loan		
	Principal	Interest	Principal	Interest	Principal
2012	\$ 40,000	\$ 13,152	\$ 89,445	\$ 16,701	\$ 19,517
2013	40,000	10,930	92,149	13,998	19,518
2014	40,000	8,744	94,934	11,213	19,518
2015	40,000	6,558	97,803	8,342	19,518
2016	40,000	4,384	100,759	5,387	19,518
2017-2021	40,000	2,186	103,803	2,341	97,587
2022-2026	0	0	0	0	97,587
2027-2031	0	0	0	0	78,067
<b>Totals</b>	<b>\$ 240,000</b>	<b>\$ 45,954</b>	<b>\$ 578,893</b>	<b>\$ 57,982</b>	<b>\$ 370,830</b>

	Governmental Activities					
	OWDA Loans		Clay Museum Loan		Police and Fire Pension	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 23,031	\$ 3,956	\$ 5,000	\$ 4,875	\$ 7,229	\$ 11,951
2013	23,262	3,725	5,000	4,550	7,539	11,641
2014	23,494	3,492	5,000	4,225	7,863	11,317
2015	23,730	3,256	5,000	3,900	8,200	10,980
2016	23,968	3,018	5,000	3,575	8,553	10,627
2017-2021	123,493	11,440	25,000	13,000	48,600	47,298
2022-2026	129,808	5,124	25,000	4,550	59,973	35,925
2027-2031	30,763	334	0	0	74,008	21,891
2032-2034	0	0	0	0	61,028	5,243
<b>Total</b>	<b>\$ 401,549</b>	<b>\$ 34,345</b>	<b>\$ 75,000</b>	<b>\$ 38,675</b>	<b>\$ 282,993</b>	<b>\$ 166,873</b>

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 11 – Long-Term Obligations (Continued)**

	Governmental Activities		Business-Type Activities	
	Total		Water Park Term Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 184,222	\$ 50,635	\$ 120,000	\$ 187,717
2013	187,468	44,844	125,000	183,158
2014	190,809	38,991	130,000	178,283
2015	194,251	33,036	135,000	173,212
2016	197,798	26,991	140,000	167,813
2017-2021	438,483	76,265	805,000	738,150
2022-2026	312,368	45,599	1,025,000	527,250
2027-2031	182,838	22,225	1,290,000	259,825
2032-2034	61,028	5,243	295,000	14,013
Totals	\$ 1,949,265	\$ 343,829	\$ 4,065,000	\$ 2,429,421

**Note 12 – Capital Lease Payable**

In 2009, the City entered into a capitalized lease for the acquisition of a fire truck. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

The fire truck acquired by the lease has been capitalized in the governmental activities in the amount of \$499,835, which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

In 2011, the City entered into capitalized leases for the acquisition of a backhoe and a street sweeper. These leases meet the criteria of capital leases as they transfer benefits and risks of ownership to the lessee.

The backhoe and street sweeper acquired by leases in the amount of \$59,278 and \$175,269 have been capitalized in the governmental activities which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded and is reduced for each required principal payment.

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 12 – Capital Lease Payable (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011:

		Governmental Activities
		<u>Capital Lease</u>
Year ending December 31,	2012	\$ 137,907
	2013	137,908
	2014	137,907
	2015	126,776
	2016	118,908
	2017	<u>2,299</u>
Minimum lease payments		661,705
Less: amount representing interest at the City's incremental borrowing rate of interest		<u>(76,261)</u>
Present value of net minimum lease payments		<u>\$ 585,444</u>

**Note 13 – Risk Management**

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

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains Insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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.

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 13 – Risk Management (Continued)**

Financial Position

PEP’s financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	(14,320,812)	(15,256,862)
Retained Earnings	20,631,198	21,118,036

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the City’s share of these unpaid claims collectible in future years is approximately \$49,000.

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

Contributions to PEP

2009	52,784
2010	47,312
2011	53,049

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

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

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 13 – Risk Management (Continued)**

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 14 – 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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 14 – Defined Benefit Pension Plans (Continued)**

The City's 2011 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009, were \$43,323, \$37,030, and \$25,121, respectively. For 2011, 93.30 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. There were no contributions made to the Member-Directed Plan for 2011.

***B. Ohio Police and Fire Pension Fund (OP&F)***

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 pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. 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 - Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$46,220 and \$63,391 for the year ended December 31, 2011, \$46,693 and \$55,697 for the year ended December 31, 2010, and \$41,663 and \$54,905 for the year ended December 31, 2009, respectively. 70.67 percent for police and 72.01 percent for firefighters has been contributed for 2011. The full amount has been contributed for 2010 and 2009.

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, 2011, the unfunded liability of the City was \$282,993, payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

***Social Security System***

As of December 31, 2011, 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.



**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 15 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 15 – Postemployment Benefits (Continued)**

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$17,329, \$21,089 and \$18,164, respectively. For 2011, 93.30 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***B. Ohio Police and Fire Pension Fund (OP&F)***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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 health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45.

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 – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 15 – Postemployment Benefits (Continued)**

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$24,469 and \$24,805 for the year ended December 31, 2011, \$24,720 and \$21,795 for the year ended December 31, 2010, and \$22,057 and \$21,485 for the year ended December 31, 2009. 70.67 percent has been contributed for police and 72.01 percent has been contributed for firefighters for 2011. The full amount has been contributed for 2010 and 2009.

**Note 16– Other Employee Benefits**

***A. Compensated Absences***

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

Employees earn sick leave at a rate of 4.6 hours per eighty hours of service. Unused sick leave accumulates without limit. Upon retirement or death, street employees with five years of service but less than ten years of service can be paid one-fourth of the outstanding sick leave accumulation up to a maximum payment of 45 days. Street employees with more than ten years of service can be paid one-half of the outstanding sick leave accumulation up to a maximum payment of 90 days. Upon retirement or death, firefighters with five years of service but less than ten years of service can be paid one day's pay for every four days of accumulated sick leave, not to exceed payment of 1,080 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. Police employees with five years of service but less than ten years of service can be paid one-third of the outstanding sick leave accumulation up to a maximum payment of 60 days. Police employees with more than ten years of service can be paid on-half of the outstanding sick leave accumulation up to a maximum payment of 120 days.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 16– Other Employee Benefits (Continued)**

***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 \$27,500 and \$22,500, respectively; to all eligible full-time union police employees in the amounts of \$25,000 and \$25,000, respectively, and to all eligible full-time non-union employees in the amounts of \$25,000 and \$25,000, respectively, through Lincoln National.

**Note 17 – Contingencies**

***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.

***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, 2011.

**Note 18 – Jointly Governed Organizations**

***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 2011, no monies were contributed by the City.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 18 – Jointly Governed Organizations (Continued)**

***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 2011, no monies were contributed by the City.

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

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

The City does not retain an on-going financial interest or an ongoing financial responsibility with this organization. During 2011, no monies were contributed by the City.

**Note 19 – 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 2011, no monies were received from the City.

**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 20 – Public Entity Risk Pools**

***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.

***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 21 – Interfund Transfers**

***Interfund Transfers***

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Capital Improvement Fund	Other Governmental Funds	
General Fund	\$ 0	\$ 0	\$ 9,065	\$ 9,065
Street Fund	95,000	0	0	95,000
Other Governmental Funds	1,691	0	0	1,691
Water Park Fund	0	182,093	0	182,093
Grand Total	<u>\$ 96,691</u>	<u>\$ 182,093</u>	<u>\$ 9,065</u>	<u>\$ 287,849</u>

The general fund transferred \$95,000 and \$1,691 to the street fund and the DARE fund respectively, to support operations. The \$9,065 transfer from the hazard mitigation fund to the general fund was a residual equity transfer to close out the grant fund. The capital improvement fund transferred \$182,093 to the water park fund for debt payments.

**City of Uhrichsville**  
***Notes To The Basic Financial Statements***  
***For the Year Ended December 31, 2011***

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**Note 22 – Going Concern**

The City's General Fund budgetary basis revenues, excluding other financing sources and uses, declined by approximately \$45,000 from 2010 to 2011; however, the budgetary expenditures were not reduced to the level of the decline in revenues. The City estimates that its General Fund revenues will decline approximately \$200,000 in 2012. Also, the beginning unencumbered cash balances of both the General and Capital Improvement Funds decreased approximately 40% from 1/1/2011 to 1/1/2012.

Historically, the Water Park general obligation bonds have been paid by a transfer from the General Fund to the Water Park Fund. In 2011, the debt payment had to be made by transferring funds from the Capital Improvement Fund to the Water Park Fund. The General Fund will not have the resources in the future to make the respective debt payment, which will directly affect the Capital Improvement Fund. The Water Park Fund is facing a deficit in 2012 and must rely on the Capital Improvement Fund to meet future debt obligations. Although, management is currently discussing steps to reduce expenses, there are no formal written plans to alleviate future deficits.

**Note 23 – Subsequent Event**

In April 2012, the City entered into a loan agreement with the Ohio Public Works Commission to finance project costs related to the West Side Storm Sewer Project in the amount of \$152,000.

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**City of Uhrichsville**  
**Notes To The Basic Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 24 – Fund Balance**

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

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>CHIP Grant Fund</u>	<u>Storm Sewer Assessment</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:							
Inventory	\$ 7,231	\$ 7,121	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,352
Prepays	<u>29,506</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,506</u>
Total Nonspendable	<u>36,737</u>	<u>7,121</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,858</u>
Restricted for:							
Capital Outlay	0	0	0	419,000	211,874	56,222	687,096
Street	0	46,303	0	0	0	0	46,303
Ambulance	0	0	0	0	0	98,579	98,579
Other Purposes	<u>0</u>	<u>0</u>	<u>12,990</u>	<u>0</u>	<u>0</u>	<u>34,730</u>	<u>47,720</u>
Total Restricted	<u>0</u>	<u>46,303</u>	<u>12,990</u>	<u>419,000</u>	<u>211,874</u>	<u>189,531</u>	<u>879,698</u>
Committed for:							
Police and Fire Uniforms and Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,416</u>	<u>88,416</u>
Unassigned	<u>432,423</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(42,148)</u>	<u>390,275</u>
Total Fund Balance	<u><u>\$469,160</u></u>	<u><u>\$53,424</u></u>	<u><u>\$ 12,990</u></u>	<u><u>\$419,000</u></u>	<u><u>\$ 211,874</u></u>	<u><u>\$ 235,799</u></u>	<u><u>\$1,402,247</u></u>



May 14, 2012

Mayor and Members of Council  
City of Uhrichsville  
305 East 2<sup>nd</sup> St.  
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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Uhrichsville (the City) as of and for the year ended December 31, 2011, and have issued our report thereon dated May 14, 2012, wherein we noted the City has suffered declining revenues subsequent to year end which raises substantial doubt about the City's ability to continue as a going concern. 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**

Management of the City is responsible for establishing and maintaining effective 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 our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2011-001 described in the accompany schedule of findings and responses to be a material weakness.

City of Uhrichsville  
Internal Control-Compliance Report

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-002 described in the accompanying schedule of findings and responses to be a significant deficiency.

**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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2011-003.

We noted certain matters that we reported to management of the City in a separate letter dated May 14, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

*Rea & Associates, Inc.*

**CITY OF UHRICHSVILLE  
TUSCARAWAS COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Material Weakness**

<b>Finding Number</b>	<b>2011-001</b>
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**Criteria:**

The City's management is responsible for sound financial reporting. This is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Timely review of financial reports, including revenue, expenses and budget vs. actual, is essential to ensure the accuracy of the City's financial activity.

**Condition Found:**

The City is facing declining revenues and likely deficits in 2012. Management of the City has not prepared a formal plan to reduce costs in line with declining revenues. The City is in jeopardy of not being able to pay future debt payments. A default could be detrimental to the City.

**Cause:** Although funding is declining, management has not taken the appropriate steps to reduce costs. This is in part caused by the lack of monitoring over financial activity.

**Effect:**

Without immediate action, the City will have significant fund deficits in 2012. The entity will likely not be able to make certain debt payments.

**Recommendations:**

The City should prepare a formal fiscal plan to address potential fund deficits and to avoid falling into fiscal caution, watch or emergency. Cash flow as well as budget versus actual amounts should be closely monitored to determine what steps should be taken to remain solvent.

**CITY OF UHRICHSVILLE  
TUSCARAWAS COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
DECEMBER 31, 2011

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Material Weakness (Continued)**

<b>Finding Number</b>	<b>2011-001 (Continued)</b>
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**City's Response:**

The City is considering placing one of three tax issues on the November, 2012 ballot:

- A. A levy to retire the bond indebtedness of the city's water park. The city would collect approximately \$307,000 per year for fifteen years to pay for the debt of the water park. The city makes the water park payment from the profits of the water park, with the balance coming from the Capital Improvement Fund. Very little money, if any, comes from the General Fund.
- B. A levy which the city would collect approximately \$400,000 per year. This would be a continuing levy which would help fund the Police or Fire Departments. If passed, this levy would "free up" money in the General Fund which could be transferred to other funds, such as Street Department, and Capital Improvement.
- C. An increase in the City's income tax of at least one-half (1/2) of the one (1) per cent. At present, the city has an income tax of one and three-fourths per cent (13/4 percent). The additional one-half (1/2) per cent would add approximately \$320,000 per year to the city's treasury.

The city has asked the city auditor to provide twice-monthly check registers to Council to monitor spending. The Finance Committee also has requested a multi-year financial plan so the committee will have some idea of the fiscal situation.

**Significant Deficiency**

<b>Finding Number</b>	<b>2011-002</b>
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**Criteria:**

For proper segregation of duties, it is imperative that no single person have sole responsibility over one process. Risk associated with a lack of segregation of duties can be mitigated with effective monitoring and oversight controls.

An approved employee payroll time sheet indicates the department head reviewed and approved the time worked and verified that the time worked per the timesheet is accurate.

The use of appropriate sick leave forms indicates sick leave usage was approved by management and provides documentation that sick leave balances in the payroll system are accurate. The formal approval of severance payments indicates that management has reviewed the calculation for accuracy and authorizes the payment to be made.

**CITY OF UHRICHSVILLE  
TUSCARAWAS COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
DECEMBER 31, 2011

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Significant Deficiency**

<b>Finding Number</b>	<b>2011-002 (Continued)</b>
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**Condition Found:**

In our testing of payroll we found the following internal control deficiencies;

- Lack of segregation of duties
- No monitoring or oversight by management
- Inconsistent approval of timesheets and no monitoring of overtime
- City does not utilize appropriate sick leave forms
- Severance payouts do not require multiple signatures or approval

**Cause:**

Management has not taken appropriate steps to implement specific policies and procedures over the payroll cycle.

**Effect:**

The conditions above have the following effect:

- Lack of oversight, review and segregation of duties allows the opportunity for unauthorized or inaccurate payments to be made and remain undetected by City management in a timely manner.
- Failing to approve timesheets may result in inaccurate time recorded on timesheets and incorrect payments made to employees.
- There is a potential for sick leave usage to be inaccurately entered into the payroll system because sick leave forms are not used and leave is hand-written on the employee's timecards, which also are not approved.
- Without multiple signatures or approvals of severance payments there is an opportunity for pay-outs to be calculated inaccurately and remain undetected by management.

**Recommendations:**

We recommend the following:

- A member of management review payroll reports to ensure the accuracy of payments prior to payroll checks being issued.
- The appropriate City officials formally approve all timesheets to improve monitoring controls and avoid the potential for a finding for recovery.
- The City use sick leave forms for all sick leave used. Sick leave forms should be completed by the employee and approved by the employee's supervisor.
- A member of management or council review all severance payments to ensure pay outs are made in accordance with negotiated agreements and are calculated properly.
- Written policies and procedures related to payroll should be formalized.

**City's Response:**

The City Auditor will review and sign off on payroll reports each time a payroll is run. City Council will review payroll reports on a monthly basis. All Supervisors in City Departments will review timesheets for accuracy and sign-off as reviewed. Payroll policies and procedures will be reviewed and updated.

**CITY OF UHRICHSVILLE  
TUSCARAWAS COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
DECEMBER 31, 2011

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Material Non-Compliance**

<b>Finding Number</b>	<b>2011-003</b>
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**Criteria:**

Ohio Rev. Code Section 5705.41 (D) states, in part, no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by the statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.
  
- B. Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the taxing authority

**Condition Found:**

During testing, we noted 20 of the 36 invoices tested were dated before the required purchase order was generated, implying that the City’s purchase order procedures are not being adhered to by the City’s staff.

**Cause:**

City personnel have not followed the City’s purchasing policies that require purchase orders prior to making purchases or purchase commitments. The City does not utilize Then and Now Certificates when obtaining a purchase order prior to purchase is not possible.

**Effect:**

These unauthorized expenditures are subject to the City management not allowing the expenditure with City funds, in which the person requisitioning the purchases could be held personally liable for the goods or services received.

**Recommendations:**

We recommend that management implement procedures to ensure that purchase orders are dated prior to invoice.

**CITY OF UHRICHSVILLE  
TUSCARAWAS COUNTY, OHIO**

SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
DECEMBER 31, 2011

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Material Non-Compliance**

<b>Finding Number</b>	<b>2011-003 (Continued)</b>
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**City's Response:**

The City Auditor along with other members of management will monitor the proper use of purchase orders. If purchase orders are not used properly and opened before purchases, the City Auditor will inform Council of the issue. Then and Nows will be used as necessary. The City has a formal purchasing policy that requires the use of purchase orders.

**CITY OF UHRICHSVILLE  
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2010-001	SAS 115 – Audit Adjustments	Yes	





# Dave Yost • Auditor of State

CITY OF UHRICHSVILLE

TUSCARAWAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 31, 2012