

**CITY OF HEATH
LICKING COUNTY**

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Honorable Mayor and Members of City Council
City of Heath
1287 Hebron Road
Heath, Ohio 43056

We have reviewed the Independent Auditor's Report of the City of Heath, Licking County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 15, 2004

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**CITY OF HEATH
LICKING COUNTY**

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CITY OF HEATH
LICKING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>						
Pass through Ohio Department of Transportation						
Highway Planning and Construction	various	20.205	289,390	-	531,977	-
Pass through Ohio Department of Natural Resources						
Recreational Trail Program	RT01	20.219	43,726	-	43,726	-
Total U.S. Department of Transportation			333,116	-	575,703	-
Total Federal Awards Expenditures			<u>\$ 333,116</u>	<u>\$ -</u>	<u>\$ 575,703</u>	<u>\$ -</u>

See notes to Schedule of Federal Awards Expenditures.

**CITY OF HEATH
LICKING COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – Significant Account Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal awards programs. The schedule has been prepared on the cash basis of accounting.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of Council
City of Heath
Heath, Ohio 43056

We have audited the financial statements of the City of Heath as of and for the year ended December 31, 2003, and have issued our report thereon dated August 18, 2004, wherein we noted the City adopted Government Accounting Standards Board Statements 34, 37, 38 and Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Heath's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of the City of Heath in a separate letter dated August 18, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Heath's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Heath in a separate letter dated August 18, 2004.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 18, 2004

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Honorable Mayor and Members of Council
City of Heath
Heath, Ohio 43056

Compliance

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

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

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

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
August 18, 2004

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505**

**CITY OF HEATH
LICKING COUNTY
DECEMBER 31, 2003**

1. AUDITOR’S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	Highway Planning #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

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Licking County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003



CITY OF HEATH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003

Prepared by the City Auditor's Department

Mr. Keith B. Alexander
City Auditor



CITY OF HEATH

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LICKING COUNTY, OHIO

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INTRODUCTORY SECTION



CITY OF HEATH



CITY OF HEATH

1287 Hebron Road • Heath, Ohio 43056
Keith B. Alexander, City Auditor

phone (740) 522-1420

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August 20, 2004

To the Mayor, Council and the Citizens of the City of Heath, Ohio:

The City Auditor is pleased to present this Comprehensive Annual Financial Report for the City of Heath (the City) for the fiscal year ended December 31, 2003. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

While there is no legal requirement for the preparation of this report, it represents a commitment by the City to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been presented.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Heath's MD&A can be found immediately following the Independent Auditors' Report.

The Report

The Comprehensive Annual Financial Report (CAFR) is designed to assist and guide the reader in understanding its contents. The report is comprised of the following three major sections:

1. **The Introductory Section** includes this letter of transmittal which presents the City's organization, operational structure and accomplishments; an organizational chart; a list of elected officials; and the GFOA Certificate of Achievement.
2. **The Financial Section** contains the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. **The Statistical Section** presents social, economic and historical data in a multi-year format useful in identifying financial trends and data relative to the fiscal capacity of the City.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

The Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide financial benefit to or impose a financial burden on the City.

Based on the foregoing, the reporting entity of the City has no component units but includes the following services as authorized by its charter: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance, utility billing, income tax collection and other governmental services.

The City of Heath

The City of Heath continues to be a rapidly growing community located twenty-five miles east of Ohio's capital city, Columbus. It is bounded on the north by the City of Newark, the county seat of Licking county. The City's elevation is approximately 830 feet above sea level. Its median temperatures are 75 degrees in summer and 30.2 degrees in winter. State highways 79 and 13 serve as the City's major transportation arteries. The east-west interstate highway I-70 that lies approximately 6 miles south also serves the City. Heath's 10.5 square mile area serves a residential population of 8,527 and an estimated daytime population of 45,000. The daytime population is concentrated in the areas of Southgate Shopping Center, the Central Ohio Aerospace and Technology Center, the Indian Mound Mall and Cross Creek Shopping Center.

The City of Heath was named after Fletcher Heath an employee of the Pure Oil Company, which was located just west of the City. A railroad freight station located near the company was named the Heath Station. In 1951, when area residents voted to incorporate, they created the Village of Heath. The Village of Heath became Ohio's 196th city on April 28, 1965.

Historical areas in the City of Heath include Moundbuilders State Park, the Davis-Shai House, the old Four Mile Lock (part of the Ohio Canal), and the recently acquired Forry Preserve. A unique collection of prehistoric Hopewell Indian artifacts are on display in the Ohio Indian Art Museum located in Moundbuilders Park. The Tom Huff artifact collection is on display at city hall.

The City operates under a charter, first adopted by the voters in 1964 and opened for revision by a Charter Commission every ten years. The form of government provided in the Charter is known as the "Mayor-Council Plan". All elections are non-partisan. The Mayor and the Auditor are elected for overlapping terms every four years. The legislative body of Heath consists of a seven-member Council, three of whom are elected by Ward, and four of whom are elected At-Large for overlapping four year terms. City Council elects a president every two years to preside over meetings. In the event that the office of the Mayor shall become vacant the President of Council shall become Mayor and serve for the unexpired term of the Mayor. City Council appoints the Clerk of Council and the Mayor appoints the City Law Director.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Municipal Services

Police Services

The police department was established in 1963 with a Chief and one full-time patrolman. The Heath Police department of today has eighteen sworn officers, ten reserve officers, five full time and three part time dispatchers, and two clerks. The department is a progressive, service oriented agency that responds to approximately 14,000 calls for service a year. The department has eight marked patrol vehicles affording adequate protection to the citizens of Heath. The police force has a canine unit and four

undercover detective cars at its disposal. It is responsible for protecting approximately eighty-six miles of roadway and a very densely developed commercial area including a regional shopping mall, numerous outlying businesses and several strip shopping centers. Due to its full service status, the police department is entirely self-sufficient and provides 24-hour protection to the citizens of the City. However, in an unusually demanding situation, the department can call upon the City of Newark and/or the Licking County Sheriff's Office for assistance. Mutual aid is provided for, with the previously mentioned entities, through mutual aid contracts. The department personnel conduct a number of community service related activities including staffing for the Drug Abuse Resistance Education (D.A.R.E.) program, a drug prevention program serving 4th and 5th grade students. The police also participate in "Get Behind the Badge" football and basketball events. In July of 1997 the Heath Police Department became an internationally accredited law enforcement agency through the Commission on Accreditation for Law Enforcement Agencies (C.A.L.E.A.) of Fairfax, Virginia. In July of 2003 the HPD was reaccredited, and continues to meet those rigorous standards of excellence.

Fire Services

The Heath Fire Department has served its community for 53 years, and currently operates two stations housing two Structural Pumpers, a Rescue Pumper, three Advanced Life Support Medic units, a 100' Skyarm Aerial, a 4x4 utility truck, and a county Haz-Mat and Water Rescue trailer. The department also has a Walters Aircraft Rescue Crash truck and a Foam Response trailer to protect a small airport and bulk flammable storage facility in the city. Heath Fire is a combination department protecting 12.5 square miles with 16 full-time firefighter paramedics including the chief. Additionally, the department has 18 volunteer, and 19 part-time Firefighter/EMT's. Heath Fire operates a three platoon system working 24 on/48 off shifts. Each shift is assigned a captain, a lieutenant, and three firefighters. An additional part-time firefighter is assigned to each shift. The department operates under a Licking county mutual aid agreement with all other county departments, and will soon begin automatic mutual aid within the county. Heath responds to approximately 1800 fire and EMS calls annually. HFD is part of the Licking county Haz-Mat team, and responds Haz-Mat 2 and the Water Rescue trailer to surrounding area emergencies. Actively involved in fire prevention, inspections, fire safety, and CPR training, the department is supported with two permanent property tax levies, as well as general revenues from the City of Heath's income tax.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Water and Wastewater Services

Water is treated by the City's municipal water plant located on Dorsey Mill Road and delivered through the distribution system, which is also owned and maintained by the City. Current flow through the plant averages 1.6 million gallons per day (MGD). Construction was completed to upgrade the water plant, which doubled the treatment capacity of the plant from 2 MGD to 4 MGD. The 1998 upgrade added a 500,000 gallon clear well to increase storage capacity to 2.38 million gallons. The upgrade also included a renovation of the laboratory making it one of only two labs in Licking County certified in bacteria testing. There are seven employees involved in the production and distribution of water for the City.

Unlike most cities, Heath's drinking water comes from deep underground aquifers, instead of less quality surface sources. The city water is softened to 100 mg/l making home water softeners unnecessary. In order to increase water volume to the city's southern portion, in 2003, additional water lines were added along Hebron Road south to Mid-Ohio Industrial Park.

The wastewater plant and collection system is owned and maintained by the City. The ten million dollar facility, completed in 1992, has a capacity of 1.75 MGD and with a peak flow of 7 MGD. The federal sludge regulations have forced the operations of the plant to become more efficient and to produce a higher quality product, which has less negative impact on the environment. In 1998, the digesters were converted from anaerobic to more efficient aerobic digesters and in 2003 two new pump stations were installed on south SR79. The additional wastewater volume capability makes the SR79 South corridor prime for new development. Eight employees work in the collection system and operation of the plant.

Street Department Services

The Heath Street Department Complex located at 550 Dog Leg Road consists of five buildings including an office, garage, and storage facilities. The Department has two salt-water storage pools, one located at the Municipal Office Building and the other at the Heath Wastewater Plant, and a rock salt storage facility with the capacity to store 850 tons of rock salt. The Department is also responsible for several retaining ponds located in various areas of the City and a stone quarry.

The Street Department has a total of ten full-time employees including the Street Superintendent. The Department is responsible for maintenance and repair of approximately 86 miles of streets and highways in the City. The Department is also responsible for snow removal, storm sewer and catch basin maintenance and repair, traffic signal operation, road lines and markings, sign installation and maintenance, mowing and maintenance of extensive right-of-ways, crack sealing and asphalt repairs and the annual leaf pickup program.

The Department maintains a fleet of fourteen vehicles and ten pieces of heavy-duty equipment.

Building and Zoning Services

The Building and Zoning Department, which is staffed by two inspectors, is part of the city safety forces and located in the municipal building. The department has a wide range of responsibilities including overseeing community development, maintaining the Land Use and Thoroughfare Plan, acting as the city representative to the local Metropolitan Planning Organization, maintaining the Geographic Information System, review of development plans, coordinating the Board of Zoning and Building Appeals and Planning Commission, issuance of zoning permits, inspections, enforcement of zoning and general ordinances, complaint investigation and resolution, flood plain administration, grant applications and administration, coordination of multi-jurisdictional projects, and special assignments as directed by the mayor.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Parks and Recreation Services

Heath Parks is comprised of over 363 acres of beautiful park land, an indoor recreation and fitness center, a state-of-the-art municipal water park, and a historic facility used as both a cultural arts center and rental facility. Canal Lock Park, a one-acre park located along State Route 79, dates back to 1825 and commemorates the beginning of the Ohio & Erie Canal. Two relatively small parks – Dorsey Mill Park and The South Fork Well Field – are maintained as natural settings along the Licking River; a third small park, Kroger Park, provides green space on South 30th Street; and Hitchcock Park, a fourth small park located in the center of a residential area features 3.09 acres of green space, playground equipment, an outdoor shelter, a basketball court, and a picnic area.

Two larger premier city parks, Hoback and Geller, collectively comprise over 72 acres. Hoback Park, is located on Dorsey Mill Road, and contains five (5) Little League fields, a basketball court, picnic areas, children’s play facility, restrooms, and an enclosed shelter. During the summer, the Heath Sertoma Club offers a well-rounded Little League program including farm and varsity baseball, and girls’ farm and varsity softball and T-ball. The site features access to the South Fork Licking River and wooded areas for hiking. Additionally, the roughly 80 acre Moundbuilder’s State Park, shared with Newark, is located mostly in Heath.

John C. Geller Park offers variety with its changes in terrain, open lawns, and wooded areas. Noteworthy facilities include a two-mile walking path, open play areas, two softball fields, two sand volleyball courts, two outdoor shelters, a Viet-Nam Memorial, and handicap accessible children’s play equipment. Area children flock to the park for snow sledding on one of the best hills in the county. Tree memorials provide ample shade in the summer. Geller Park is the focal point for many community events, such as Kids First! Fest, and the Star Spangled Celebration.

The Forry Preserve, the city’s newest park, includes 240 acres of natural green-space along the Licking River. This beautiful hillside acreage includes abundant wildlife, and pre-historically significant Indian mounds.

Heath’s Walkway/Bikeway Corridor meanders along the Licking River, starting at Heath Middle School, going south to Irving-Wick Drive, then east to the River Oaks subdivision. An abundance of plant and animal life, along with interpretive signs, rest areas, and a shelter house, give pedestrian and bike travelers plenty to see.

The city’s first venture into indoor recreational programs occurred in 1998 with the opening of the Heath Community Recreation and Fitness Center. The facility modern fitness equipment, free weights, sauna, Jacuzzi, tanning beds, cardio-vascular room, and general fitness class programming help keep participants of all ages “fit for life”. The large gymnasium also offers ample opportunities for sports activities and community events.

The city’s municipal pool complex is appropriately described as a “water park”. Major renovation and expansion in 2002 featured a 660’ LayZee River, two gigantic 30-foot slides, two drop slides, a SCS Interactive/Play System, 10-lane 50 meter Olympic pool, 12’ diving well, concession stands, shade shelters, and basketball and volleyball courts. 2003 brought a parking lot expansion that increased spaces by 170 to help accommodate the over 100,000 seasonal visitors.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

The Davis-Shai House, moved by the City of Heath on April 16th, 1996, not only serves as the city's oldest historic treasure, but also as a Licking County cultural arts center and rental facility. The Heath Community Arts Council manages day-to-day operations to include teas, Friday lunches, dinner theatres, music events, weddings, small private parties, corporate meetings, and a wide variety of cultural programming. The house's ambience brings back the "Victorian Christmas" each year, which features incredible holiday decorations, horse-drawn carriage rides, seasonal songs, and warm holiday feelings.

Recent accolades received by the Heath Parks Department include the Ohio Parks & Recreation (OPRA) Award of Merit in 2000 for the Heath Recreation and Fitness Center, OPRA and Downtown Ohio, Inc. First Place awards in 2001 for the Davis-Shai House; OPRA First Place award for the Heath History book, *Heath, Ohio: Hometown Memories*, and OPRA First Place Aquatic award for the Heath Municipal Pool in 2003.

The Heath Parks Department has a staff of nine (9) full-time employees, including the Director of Parks and Recreation. Seasonal and part-time employees expand that number to about 100 during summer months. The Heath Community Arts Council, a not-for-profit organization, employs two full time, one part time, but largely depends on more than 100 volunteers for its operation.

Administrative Services

The Administrative Services Department is under the direction of the City Auditor and is responsible for the functions of tax collection, utility billing, financial control, data processing, risk management and public information. This department provides essential support services to all departments and divisions of the City, as well as several direct services to residents and businesses. The Administrative Services Department consists of two divisions - the Tax Division and the Finance Division.

The Tax Division is under the direction of the Tax Commissioner who is responsible for the collection and administration of the City's one and one-half percent earnings tax and the hotel excise tax. In addition, the Tax Division offers direct tax assistance services to all residents and businesses. An outside company was hired to address the issue of delinquent balances and non-filers.

The Finance Division is responsible for all areas of financial administration, including revenue recording, investments, debt service management, expenditure tracking, financial records, budgeting, financial reporting, utility billing and payroll/personnel administration.

Citywide, all personnel of the City of Heath are involved in Youth in Government Day. Each May, the two-day program allows students to serve as government officials, whereby, students are elected by their peers to various City offices. After the election, they visit City Hall to write mock ordinances and develop mock plans for the City. On the second day a mock council meeting is held and the students spend the day with their respective counterparts. The annual program provides the students an opportunity to see the operation of the City first hand and to visit all City departments.

CITY OF HEATH, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2003**

Labor Relations

A statewide public employee collective bargaining law applies generally to public employee relations and collective bargaining. The employee profile is as follows:

<u>Number of Employees</u>	<u>Employee Classification</u>
85	Classified employees
9	Elected officials
6	Appointed officials

The City has entered into bargaining agreements with the Fraternal Order of Police, Ohio Labor Council, Inc., International Association of Firefighters Local 2930 and the American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8. Other employees are governed by legislative action of City Council.

Full-time employees are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Agreement Expiration Date</u>	<u>Number of Employees Covered</u>
Fraternal Order of Police, Ohio Labor Council (Dispatchers)	March 31, 2005	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2005	16
International Association of Firefighters Local 2930	April 17, 2005	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2005	36

New police officers are not included in the union until their one-year probationary period is successfully completed. A reserve force of ten persons is authorized by order of the mayor. A thirty member volunteer fire department, operated by the Heath Firefighters Association, is authorized by City Ordinance.

The Administrative Section of the City of Heath Codified Ordinances provides for equal and similar treatment of employees employed by the city but not covered under a collective bargaining agreement. The following classifications are covered by the Administrative Section of the Heath Codified Ordinances:

- 9 Elected Officials
- 1 Appointed Clerk of Council
- 2 Appointed law advisors
- 3 Exempted classified employees
- 1 Appointed Secretary
- 1 Recreation Director
- 7 Department Heads

ECONOMIC OUTLOOK

The massive \$20,000,000 infrastructure construction program initiated in 2002 continued in a very aggressive and obvious manner throughout 2003. Two road improvement projects began in April. The first, widening of State Route 79 from two to five lanes, is being administered by the Ohio Department of Transportation and is forty percent complete. The intersection improvements along Irving-Wick Drive East, which is being administered by the city, is ninety-five percent complete, and within budget. A project that was scheduled, resurfacing of State Route 79 between Hopewell Drive and Kaiser Drive, which includes an intersection improvement at Central Parkway, was delayed by utility relocation problems and is now scheduled to begin in the spring of 2004.

Utility improvements also occurred on a large scale. Over three and one-half miles of new and enlarged water line was installed along State Route 79 between the intersections of Hopewell Drive and James Parkway. This water line not only provides improved water volume and pressure, but also expands the service capability of the city to over 500 acres of prime development area. In addition, an old eight-inch sanitary sewer forced main on State Route 79 between the intersections of Fox Run Drive and James Parkway was replaced with one and one-third miles of gravity sewer line. In conjunction with the Licking County Port Authority and Kaiser Corporation, design work has commenced to install water lines that will greatly improve water service to both facilities and enhance new industrial development.

Engineering and right-of-way acquisition were initiated or completed for projects scheduled for construction in 2004 and 2005. These include the realignment of Heath/Dorsey Mill Road and extension of Ridgely Tract to Thornwood Drive. In addition, application has been made with the Federal Highway Administration to include Thornwood Drive on the Federal Aid Route System. If approved, federal funding may be available by 2006 to commence a Thornwood Drive Improvement Project – this will connect to proposed improvements the City of Newark is planning which will eventually allow direct access to State Route 16. The primary benefit to Heath will be the opening-up of prime industrial property along Thornwood Drive.

Although infrastructure improvements continued at a strong pace, commercial and industrial construction starts declined and are at the lowest point in several years. The number of commercial/industrial permits issued decreased from 16 in 2002 to 10 in 2003, a 38% drop. The valuation of construction permits dropped 86%. The primary reasons for this downturn are a slowdown in the general economy and unavailability of developable property. In the past, income tax and property tax generated by new commercial/industrial construction played a substantial role in balancing each year's increase in city operating costs. Without strong, continuous growth in this area, the city may have to look at other sources to sustain costs. Another negative factor influencing this year's business climate was the closure or announced closure of several businesses including Drug Emporium, Lazarus, Scott Lumber, and Big Bear.

However, there is a silver lining to the cloud suspended over commercial/industrial development. 2003 witnessed the construction of several new businesses including a Chipotle restaurant, Caribou Coffee House, Mid-Ohio Development business office, Mid-Ohio warehouse, and Heath Builder's Supply. Plan reviews are currently underway for a Honda motorcycle shop, a building expansion for Hinderer Honda, a Mark Pi restaurant and Hampton Inn, all of which will probably be under construction by 2004.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Against all thoughts to the contrary, residential new construction starts exploded in 2003. Forty-three single family and 12 multi-family (all condominiums) permits were issued, as opposed to 25 in 2002 (a 72% increase). Apparently, there is a very strong desire to locate families in Heath. At this time there are very few remaining residential lots, so residential construction in 2004 will probably not match this year. Items that may change that scenario are proposed additional phases in Fox Run and River Oaks Subdivisions and a new residential site being planned by Mid-Ohio Development – but these lots will not be available until late in the year.

In summary, a total of 154 permits were issued by the Zoning Department in 2003. A total of \$337,861 in fees was collected and total property/building valuations caused by construction amounted to \$13,575,365.

MAJOR INITIATIVES 2003

2003 was a project year most significantly defined by Heath's largest grant effort coming to fruition. The State Route 79 Widening Project has estimated costs to be around \$15 million dollars. In addition, what is now called County Road 00-0000, the Beaver Run Road Connector, began with a 100% federal grant for the engineering costs at \$500,000. The SR79 project will extend from planning in 2002, to construction in 2003 through 2005. The Beaver Run Connector awaits the next round of federal funding. When completed, \$20 million dollars in federal grants will have been received. The Heath City Auditor believes it appropriate to recognize most significantly U. S. Congressman Bob Ney, as well as Heath Mayor Daniel L. Dupps, for their diligence. These projects would not have happened without them.

Grants specific to 2003, where funding was received for grant projects from inception through 2003, were the Recreation Trails River Oaks Connector grant (\$43,726), the Ohio Public Works Commission (OPWC) (\$46,523), and Ohio Department of Transportation (ODOT) (\$186,963) grant for Irving Wick East & Franklin Ave. intersection improvement project, the Irving Wick East Bridge replacement project (\$182,526), ODOT Heath High School to Hoback Park bike path (\$178,630), ODOT Hopewell Drive improvement Project (\$736,560), Drug Awareness Resistance Education (DARE) 2003-2004 (\$11,782), OPWC State Route 79 Waterline Project (\$384,849), Natureworks III Riverfront (\$24,107), OPWC Forry Preserve (\$364,250), DARE 2002-2003 (\$11,814), State Fire Marshall Local Government Firefighter training (\$1,500), University of Cincinnati (\$10,000), and Ohio Public Safety (\$2,590). All totaled, Heath projects received \$2,185,820 in outside grants for 2003.

Plans for 2004 include:

- | | |
|------------|--|
| Water | <ul style="list-style-type: none">• Port Authority water line extension @ \$40,000 through Issue 2• Gain Water rights to Well Field @ south Fork Road |
| Wastewater | <ul style="list-style-type: none">• SCADA system for Holly Estates, Fox Run and James Parkway lift stations @ \$45,000• Replace grit unit @ \$90,000• Install generators at Fox Run and the Woodlands @ \$50,000 |

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Parks	<ul style="list-style-type: none">• Purchase land for athletic complex (grant only) @ \$50,000• Apply for a Recreation Trails grant (grant only) @ \$40,000• Apply for a Soil & Water Conservation grant (grant only) @ \$40,000• Playground equipment at Geller Park (Conn Fund) @ \$40,000
Fire	<ul style="list-style-type: none">• SCBA/station equipment & radios & fire hose \$40,000• P. P. E. gear (grant) @ \$20,000• Hi-band radio equipment/repeater @ \$20,000
Zoning	<ul style="list-style-type: none">• R.O.W. acquisition for Heath Rd./Dorsey Mill Rd. \$250,000• Construction Heath Rd./Dorsey Mill Rd. Alignment \$90,000

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

Development of the City's accounting system included substantial consideration of the adequacy of the internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated applying the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and the Auditor's Office.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

The City Auditor's Office is responsible for the auditing and analysis of all purchase orders for the City. The Auditor's Office personnel carefully review the purchase orders to ensure the availability of moneys in the proper funds and accounts prior to certification and subsequent payment of invoices. The City utilizes a fully automated accounting system, as well as an automated system of controls for fixed asset accounting, payroll, water billing and income tax. These systems ensure that the financial information generated is both accurate and reliable.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Budgetary control is maintained at the object level for each department within each fund via legislation approved by City Council. The various objects are:

- Personal services
- Contractual Services
- Other Expenditures
- Transfers
- Materials and Supplies
- Capital Outlay
- Debt Service
 - Principal
 - Interest

Lower levels within each major category are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available major expense category level appropriations are not approved unless additional appropriations are authorized. Unencumbered appropriations return (lapse) to the unappropriated balances in the individual funds at the end of each fiscal year, which coincides with the calendar year. Appropriations, initial and supplemental, must be authorized by City Council. Supplemental appropriations were made several times during the year, primarily for capital expenditures.

Risk Management

The City of Heath relied upon traditional insurance markets and conventional policies as a method of asset protection and overall risk management prior to 1994. In 1994, as a result of a request for proposals, the administration recommended to Council that the City join the Ohio Government Risk Management Plan, administered by Rinehart, Walters, Danner and Thompson of Mansfield, Ohio. The change allowed for more comprehensive involvement by the city in planning and implementing risk management approaches in all City departments.

Ohio Government Risk Management Plan is the present primary carrier for the provision of underlying bodily injury, personal injury, property damage, automotive, and general liability coverage. Supplemental protection includes professional liability, honesty bonding and a comprehensive liability policy overlying most of the basic policies.

The City of Heath is committed to promoting and supporting a safe work environment for all City of Heath employees. A city wide safety plan and policy along with the appointment of an OSHA Safety Committee was undertaken in the City of Heath in 1994 after a representative of the Ohio Government Risk Management Plan visited the city to do a “mock” inspection of the city operations. The city then implemented a Safety Plan and programs for a safe work environment. The Safety Plan and Policy adopted in 1995 was updated and distributed to employees by order of the Mayor of the City of Heath in 1999. The City of Heath’s commitment to safety is further supported by the selection of a “Safety Employee of the Year” from the rank and file employees. The award is for commitment to safety, promotion of safety and support of the city safety programs.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

An OSHA Safety Committee made up of employees appointed from each of the City of Heath Departments continues to function in the City of Heath. The committee members serve a one-year term and are charged with bringing any safety concerns or needs to the committee for discussion and/or action. Members of the committee elect a chairperson and all committee members have direct access to the Safety Director regarding matters of employee safety. The committee also plans, hosts and evaluates a bi-annual safety fair to provide safety education and information for all full-time, part-time, seasonal, casual, and temporary employees that provided handling of chemicals, vehicle maintenance, confined space response, equipment training, respirator training and general safety programs. An annual safety training is held each June for all summer employees as well as a bi-annual driver's training certification for all part-time fire department employees.

In addition to the specific areas of risk management noted above, the City requires attendance at monthly citywide safety meetings. The meetings provide a video and written materials on various safety topics from hearing protection to drugs in the workplace. Additionally, each department is encouraged to hold quarterly safety meetings on topics specific to their department, including such general topics as fire extinguisher training, evacuation plans and fire drills.

The City of Heath has been a stable operation with unusually good claims and loss experience since its designation as a city in 1965.

Health Insurance

The City Council authorized a partially self-funded medical coverage program for City employees in 1993. The program is administered by Professional Claims Management of Canton, Ohio. The program provides that the City pay medical expenses of eligible employees and dependents in excess of established deductibles and/or co-pay amounts for agreed upon services and supplies during the calendar year. The City maintains a stop loss of \$20,000 per person per year with a \$2,000,000 lifetime per person maximum.. Pre-existing conditions do apply to all new employees and co-pays apply for in-network and deductibles for out-of-network services. Utilization and peer review are contracted with the network. During 2002 the cost of the employee health insurance was paid 100% by the City of Heath.

Workers' Compensation

The City of Heath joined the Ohio Municipal League (OML) Worker's Compensation Pool in 1992. The pool groups similar municipal employers to gain a greater discount in worker's compensation premiums for City employees. Section 4123.29 of the Ohio Revised Code, and the rules promulgated thereunder, permit the establishment of the employer group-rating plan. Said plans pool and group the experience (payroll amounts and claims losses) of the participating employers in order to create a lower worker's compensation premium rate. The Ohio Municipal League (OML) as a sponsoring organization offers the plan to achieve lower worker's compensation premium rates for participants and to promote establishment of a safer working environment.

The OML Worker's Compensation Pool will accept member municipalities in good standing for participation if their claim losses are less than the Bureau's expected losses determined at the group level. No municipality is invited to participate whose claim losses are projected to exceed the Bureau's expected loss level for the effective date of the group rating year and/or the year after. Each participant must qualify annually to continue to be a group member. The OML reserves the right to implement equity pooling in any rating year to ensure equitable savings.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

As part of the pool program the Ohio Bureau of Worker's Compensation has made it a statutory requirement that the group-rating program substantially improve accident prevention for all group participants. Each participant must, in good faith, comply with all federal, state and local occupation health and safety regulations and shall exert diligent efforts toward accident prevention.

Gates McDonald administers the program for the OML. Consulting services are available through Gates McDonald.

OTHER INFORMATION

Independent Audit

The basic financial statements of the City of Heath were audited by Wolfe, Wilson & Phillips, Inc. The auditor's unqualified opinion has been included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002. This was the ninth year in a row the City received this award.

The Government Finance Officers Association of the United States and Canada (GFOA) awards Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA.

Public Disclosure

The publication of this report represents an important achievement in the ability of the City of Heath to provide significantly enhanced financial information and accountability to the citizens, its elected officials, City administration and investors. This report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

In addition to the citizens of Heath, the recipients of this report will include city, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization that requests it. The extensive effort to prepare and distribute this report is indicative of the City Auditor's goal of full disclosure of the City's finances.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Acknowledgments

Sincere appreciation is extended to the individuals who have contributed their time and effort in gathering data for this report. I am indebted to the following staff members; Linda Richards, Assistant Auditor; Debbie Whitefield, Administrative Assistant; and our Department Heads for the extra effort they put forth in the preparation of this report.

Special acknowledgment is also extended to the staff of Donald J. Schonhardt and Associates, Inc. for their guidance in the preparation of this report.

Also special thanks to the members of Heath City Council and Mayor Daniel L. Dupps whose support is necessary for the City of Heath to conform to reporting requirements established for municipal governments to maintain the sound financial position that the City has enjoyed for many years.

Respectfully,



Keith B. Alexander
City Auditor

CITY OF HEATH, OHIO

**List of Principal Officials
For the Year Ended December 31, 2003**

<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>	<i>SURETY</i>
Daniel L. Dupps	Mayor	12/31/05	
Keith B. Alexander	Auditor	03/31/04	A
James W. Watercutter	Council Member - Ward 1 Council President	12/31/05	
Cledys Henry	Council Member at Large President-Pro-Tem	12/31/03	
Dr. Ronald Krueger	Council Member at Large	12/31/03	
Jeffrey Crabill	Council Member - Ward 3	12/31/05	
Mary Kelley	Council Member - Ward 2	12/31/05	
Bartley Taberner	Council Member at Large	12/31/03	
Tim Kelley	Council Member at Large	12/31/03	

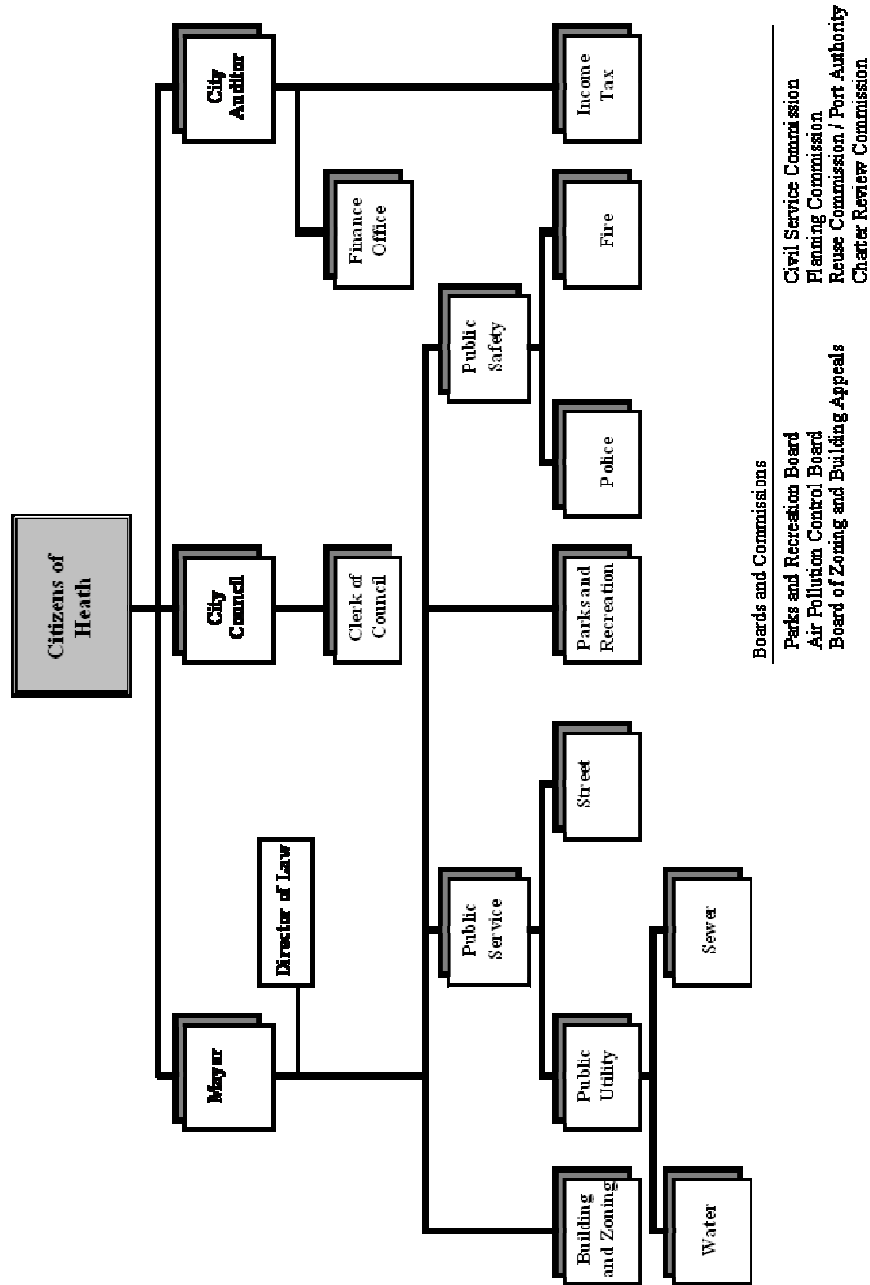
<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>	<i>SURETY</i>
Anne Gilbert	Income Tax Commissioner	Indefinite	A
Anthony Shepherd	Police Chief	Indefinite	
Kevin Vermillion	Police Lieutenant	Indefinite	
Mark Huggins	Fire Chief	Indefinite	
David Brenner	Utilities Director	Indefinite	
Jeff Penrose	Street Superintendent	Indefinite	
Robert Geller	Parks Superintendent	Indefinite	
John Groff	Building and Zoning Inspector	Indefinite	
Richard Bindley	Law Director	Indefinite	
Harvey Shapiro	Prosecutor	Indefinite	
Linda M. Richards	Assistant Auditor	Indefinite	
Lynn M. Hunt	Clerk of Council	Indefinite	
Debra R. Fleming	Mayor's Secretary/Administrative Assistant	Indefinite	
Deborah K. Whitefield	Administrative Assistant	Indefinite	
Rhonda White	Recreation Director	Indefinite	
Janice M. Wilkin	Communications/Marketing Director	Indefinite	

(A) \$100,000 Ohio Government Risk Management Plan 01/1/03 - 12/31/03

City Address:

Heath City Hall
1287 Hebron Road
Heath, Ohio 43056

**City Organizational Chart
For the Year Ended December 31, 2003**



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Heath,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



FINANCIAL SECTION



CITY OF HEATH

WOLFE, WILSON, & PHILLIPS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701

(740) 453-9600 • FAX - (740) 453-9763

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of City Council
City of Heath
Heath, Ohio 43056

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 Heath as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and each major fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the City of Heath has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* as of December 31, 2003. The City has also adopted GASB Statements Nos. 37, and 38, and Interpretation No. 6 for the year ending December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 18, 2004, on our consideration of the City of Heath's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 12, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Brad Wolfe, J.D., M.B.A., CPA
Joseph W. Wilson, M.B.A., CPA, CMA
Kenneth B. Phillips, CPA

Independent Auditors Report

Page 2

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Heath's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the introductory and statistical information as listed in the table of contents, and, therefore, express no opinion thereon.

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio
August 18, 2004

The discussion and analysis of the City of Heath's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2003 are as follows:

- ❑ In total, net assets decreased \$1.5 million. Net assets of governmental activities decreased \$2.1 million which represents a 9.2% decrease from 2002. Net assets of business-type activities increased \$.6 million or 4.7% from 2002.
- ❑ General revenues accounted for \$7.4 million in revenue or 58.4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 41.6% of total revenues of \$12.7 million.
- ❑ The City had \$10.6 million in expenses related to governmental activities; only \$1.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$7.4 million assisted in providing for these programs.
- ❑ Among major funds, the general fund had \$6.1 million in revenues and \$5.1 million in expenditures. The general fund's fund balance increased \$257,086 to \$2.6 million.
- ❑ Net assets for enterprise funds increased by \$.6 million. This increase resulted primarily from capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accepting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, leisure time activities, community environment, basic utility services, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer services are reported as business activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

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

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for water and sewer operations. Both of the enterprise funds are reported as major funds.

The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund reports on the City's self-insurance programs for employee medical benefits.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Current and other assets	\$8,864,944	\$3,887,827	\$12,752,771
Capital assets, Net	20,049,692	17,188,627	37,238,319
Total assets	28,914,636	21,076,454	49,991,090
Long-term debt outstanding	6,406,109	7,276,490	13,682,599
Other liabilities	2,012,708	279,752	2,292,460
Total liabilities	8,418,817	7,556,242	15,975,059
Net assets			
Invested in capital assets, net of related debt	16,234,915	10,048,081	26,282,996
Restricted	3,866,353	0	3,866,353
Unrestricted	394,551	3,472,131	3,866,682
Total net assets	\$20,495,819	\$13,520,212	\$34,016,031

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues:			
Program revenues:			
Charges for Services and Sales	\$759,584	\$3,315,605	\$4,075,189
Operating Grants and Contributions	10,000	0	10,000
Capital Grants and Contributions	341,305	845,185	1,186,490
General revenues:			
Property Taxes	1,172,261	0	1,172,261
Income Taxes	4,839,079	0	4,839,079
Other Local Taxes	11,121	0	11,121
Shared Revenues	781,533	0	781,533
Motor Vehicle and Gasoline Taxes	414,147	0	414,147
Investment Earnings	123,662	10,792	134,454
Miscellaneous	58,858	0	58,858
Total revenues	<u>8,511,550</u>	<u>4,171,582</u>	<u>12,683,132</u>
Program Expenses:			
Security of Persons and Property	3,423,445	0	3,423,445
Public Health and Welfare Services	52,500	0	52,500
Leisure Time Activities	1,627,677	0	1,627,677
Community Environment	305,945	0	305,945
Basic Utility Services	568,416	0	568,416
Transportation	3,129,391	0	3,129,391
General Government	1,265,259	0	1,265,259
Interest and Fiscal Charges	239,360	0	239,360
Business Type Activities:			
Water	0	1,552,029	1,552,029
Sewer	0	2,018,104	2,018,104
Total expenses	<u>10,611,993</u>	<u>3,570,133</u>	<u>14,182,126</u>
Total Change in Net Assets	(2,100,443)	601,449	(1,498,994)
Restated Beginning Net Assets	<u>22,596,262</u>	<u>12,918,763</u>	<u>35,515,025</u>
Ending Net Assets	<u>\$20,495,819</u>	<u>\$13,520,212</u>	<u>\$34,016,031</u>

Governmental Activities

Net assets of the City's governmental activities decreased by \$2,100,443. This was due primarily to large decrease in intergovernmental revenues for capital projects.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

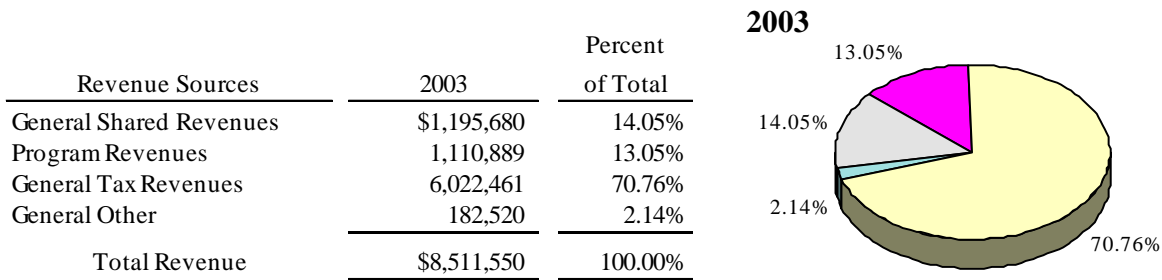
CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

The City also receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 13.8% and 56.8% respectively of revenues for governmental activities for the City in fiscal year 2003. The City's reliance upon tax revenues is demonstrated by the following graph indicating 70.76% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities increased by \$601,449. This increase was primarily the result of capital assets contributed by developers and the receipt of capital grant monies for water line improvements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$6,281,866, which is a decrease from last year's balance of \$6,864,955. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2003 and 2002:

	Fund Balance December 31, 2003	Fund Balance December 31, 2002	Increase (Decrease)
General	\$2,598,921	\$2,341,835	\$257,086
Fire Levy	174,010	391,747	(217,737)
Capital Improvement Fund	1,189,545	1,864,229	(674,684)
Other Governmental	2,319,390	2,267,144	52,246
Total	\$6,281,866	\$6,864,955	(\$583,089)

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2003	2002	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$5,143,142	\$3,373,231	\$1,769,911
Intergovernmental Revenue	597,199	463,952	133,247
Charges for Services	148,701	137,323	11,378
Licenses, Permits and Fees	23,933	23,861	72
Investment Earnings	121,177	213,897	(92,720)
Fines and Forfeitures	23,436	33,768	(10,332)
All Other Revenue	18,411	74,759	(56,348)
Total	<u>\$6,075,999</u>	<u>\$4,320,791</u>	<u>\$1,755,208</u>

General Fund revenues in 2003 increased approximately 41% compared to revenues in fiscal year 2002. The most significant factor contributing to this increase was the reallocation of municipal income tax revenues. Council eliminated the depositing of 25% of income taxes into the Capital Improvement Fund, decreased the allocation placed into the Debt Service Fund from 12.5% to 5% and placed all of the difference into the General Fund. The reallocation increased the percentage placed into the General Fund from 62.5% in 2002 to 95% in 2003.

	2003	2002	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$2,891,798	\$2,956,359	(\$64,561)
Public Health and Welfare Services	52,500	52,500	0
Leisure Time Activities	766,805	816,646	(49,841)
Community Environment	255,327	297,688	(42,361)
General Government	1,180,029	1,207,949	(27,920)
Total	<u>\$5,146,459</u>	<u>\$5,331,142</u>	<u>(\$184,683)</u>

General Fund expenditures decreased by \$184,683 or 3.4% under the prior year due to primarily to employee attrition and prudent financial management. The 2003 budget was cut considerably from previous levels and department managers were able to maintain adequate levels of service with less resources.

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

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

During the course of fiscal year 2003 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$5.7 million changed by almost \$1 million when compared to the original budget estimates of \$4.7 million. The increase was because the original budget did not account for the reallocation of income tax revenues. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2003 the City had \$37,238,319 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$20,049,692 was related to governmental activities and \$17,188,627 to the business-type activities. The following table shows fiscal year 2003 and 2002 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
Land	\$5,710,931	\$5,657,286	\$53,645
Construction in Progress	26,700	13,252	13,448
Total Non-Depreciable Capital Assets	5,737,631	5,670,538	67,093
Buildings	4,759,198	4,759,198	0
Improvements Other Than Buildings	2,807,348	2,789,631	17,717
Machinery and Equipment	6,094,911	5,471,881	623,030
Infrastructure	11,171,863	11,005,987	165,876
Less: Accumulated Depreciation	(10,521,259)	(9,581,153)	(940,106)
Total Depreciable Capital Assets	14,312,061	14,445,544	(133,483)
Totals	\$20,049,692	\$20,116,082	(\$66,390)

	Business-Type Activities		Increase (Decrease)
	2003	2002	
Land	\$397,374	\$397,374	\$0
Construction in Progress	0	3,750	(3,750)
Total Non-Depreciable Capital Assets	397,374	401,124	(3,750)
Buildings	12,715,457	12,676,568	38,889
Improvements Other Than Buildings	1,510,298	1,020,518	489,780
Machinery and Equipment	4,799,725	4,761,165	38,560
Infrastructure	11,381,215	10,582,559	798,656
Less: Accumulated Depreciation	(13,615,442)	(12,936,477)	(678,965)
Total Depreciable Capital Assets	16,791,253	16,104,333	686,920
Totals	\$17,188,627	\$16,505,457	\$683,170

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

The largest increases in governmental activities capital assets occurred in machinery and equipment and infrastructure. The primary reason for the increase in the infrastructure category relate to road construction projects (new and resurfacing). The machinery & equipment increase is attributable to over \$900,000 in new equipment purchased for the Fire Department.

As of December 31, 2003, the City has contractual commitments of \$1,407,257 for various projects. Included in these projects are the State Route 79 Waterline improvements, sludge handling improvements and installation of two new lift stations. Additional information on the City's capital assets can be found in Note 10.

Debt

At December 31, 2003, the City had \$8.52 million in bonds outstanding, \$540,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Governmental Activities:		
General Obligation Bonds	\$5,775,000	\$4,075,000
Installment Loans	55,910	98,837
Capital Leases	18,868	23,893
Compensated Absences	556,331	577,681
Total Governmental Activities	<u>6,406,109</u>	<u>4,775,411</u>
Business-Type Activities:		
General Obligation Bonds	\$2,745,000	\$2,875,000
OWDA Loan	4,370,769	4,572,900
Installment Loan	24,777	48,373
Compensated Absences	135,944	119,000
Total Business-Type Activities	<u>7,276,490</u>	<u>7,615,273</u>
Totals	<u>\$13,682,599</u>	<u>\$12,390,684</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Heath lies, is limited to ten mills. At December 31, 2003, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS

The City's budget for 2003 is very conservative. City Council decided they wanted to maintain current service levels to the residents of the City, utilizing some of the reserve funds. General Fund revenues are projected to be 3% less than actual receipts for 2003. This is due to the decrease in interest income because of the low interest rates on investments and also because of the reduction in state shared revenue.

General Fund expenditures were budgeted at 5% less than 2003 actual expenditures. In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated.

City Council continues to review the possibility of increasing existing revenue sources. If the current economic conditions continue, it may be imperative to increase revenue in order to maintain fiscal stability.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Auditor's Office by calling (740) 552-1420 or writing to City of Heath Auditor's Office, 1287 Hebron Rd., Heath, Ohio 43056.



**Statement of Net Assets
December 31, 2003**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 4,798,226	\$ 3,364,980	\$ 8,163,206
Investments	1,057,723	0	1,057,723
Receivables:			
Taxes	2,068,597	0	2,068,597
Accounts	4,624	416,548	421,172
Intergovernmental	627,734	0	627,734
Internal Balances	11,041	(11,041)	0
Inventory of Supplies at Cost	119,736	75,084	194,820
Prepaid Items	60,713	42,256	102,969
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	116,550	0	116,550
Non-Depreciable Capital Assets	5,737,631	397,374	6,135,005
Depreciable Capital Assets, Net	14,312,061	16,791,253	31,103,314
Total Assets	28,914,636	21,076,454	49,991,090
Liabilities:			
Accounts Payable	307,991	233,081	541,072
Accrued Wages and Benefits Payable	309,583	35,017	344,600
Intergovernmental Payable	5,939	1,169	7,108
Deferred Revenue	1,366,574	0	1,366,574
Accrued Interest Payable	22,621	10,485	33,106
Noncurrent liabilities:			
Due within one year	495,758	622,328	1,118,086
Due in more than one year	5,910,351	6,654,162	12,564,513
Total Liabilities	8,418,817	7,556,242	15,975,059
Net Assets:			
Invested in Capital Assets, Net of Related Debt	16,234,915	10,048,081	26,282,996
Restricted For:			
Capital Projects	2,220,015	0	2,220,015
Debt Service	739,212	0	739,212
Other Purposes	907,126	0	907,126
Unrestricted (Deficit)	394,551	3,472,131	3,866,682
Total Net Assets	\$ 20,495,819	\$ 13,520,212	\$ 34,016,031

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2003**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 3,423,445	\$ 50,839	\$ 10,000	\$ 0
Public Health and Welfare Services	52,500	0	0	0
Leisure Time Activities	1,627,677	649,573	0	12,434
Community Environment	305,945	21,265	0	0
Basic Utility Services	568,416	12,182	0	42,356
Transportation	3,129,391	25,725	0	286,515
General Government	1,265,259	0	0	0
Interest and Fiscal Charges	239,360	0	0	0
Total Governmental Activities	10,611,993	759,584	10,000	341,305
Business-Type Activities:				
Water	1,552,029	1,222,532	0	384,849
Sewer	2,018,104	2,093,073	0	460,336
Total Business-Type Activities	3,570,133	3,315,605	0	845,185
Totals	\$ 14,182,126	\$ 4,075,189	\$ 10,000	\$ 1,186,490

General Revenues

Property Taxes
Municipal Income Taxes
Other Local Taxes
Shared Revenues
Motor Vehicle and Gasoline Taxes
Investment Earnings
Miscellaneous
Total General Revenues
Change in Net Assets
Restated Net Assets Beginning of Year
Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,362,606)	\$ 0	\$ (3,362,606)
(52,500)	0	(52,500)
(965,670)	0	(965,670)
(284,680)	0	(284,680)
(513,878)	0	(513,878)
(2,817,151)	0	(2,817,151)
(1,265,259)	0	(1,265,259)
(239,360)	0	(239,360)
<u>(9,501,104)</u>	<u>0</u>	<u>(9,501,104)</u>
0	55,352	55,352
<u>0</u>	<u>535,305</u>	<u>535,305</u>
<u>0</u>	<u>590,657</u>	<u>590,657</u>
<u>(9,501,104)</u>	<u>590,657</u>	<u>(8,910,447)</u>
1,172,261	0	1,172,261
4,839,079	0	4,839,079
11,121	0	11,121
781,533	0	781,533
414,147	0	414,147
123,662	10,792	134,454
58,858	0	58,858
<u>7,400,661</u>	<u>10,792</u>	<u>7,411,453</u>
(2,100,443)	601,449	(1,498,994)
<u>22,596,262</u>	<u>12,918,763</u>	<u>35,515,025</u>
<u>\$ 20,495,819</u>	<u>\$ 13,520,212</u>	<u>\$ 34,016,031</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2003**

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 955,879	\$ 192,718	\$ 1,227,698	\$ 2,392,881	\$ 4,769,176
Investments	1,057,723	0	0	0	1,057,723
Receivables:					
Taxes	1,203,543	663,037	0	202,017	2,068,597
Accounts	4,624	0	0	0	4,624
Intergovernmental	380,052	28,859	4,300	214,523	627,734
Inventory of Supplies, at Cost	52,557	0	0	67,179	119,736
Prepaid Items	48,324	0	0	12,389	60,713
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	0	116,550	116,550
Advance to Other Funds	10,000	0	0	0	10,000
Total Assets	\$ 3,712,702	\$ 884,614	\$ 1,231,998	\$ 3,005,539	\$ 8,834,853
Liabilities:					
Accounts Payable	\$ 48,896	\$ 0	\$ 42,453	\$ 125,962	\$ 217,311
Accrued Wages and Benefits Payable	143,888	18,708	0	146,987	309,583
Intergovernmental Payable	5,939	0	0	0	5,939
Deferred Revenue	915,058	691,896	0	403,200	2,010,154
Advances from Other Funds	0	0	0	10,000	10,000
Total Liabilities	1,113,781	710,604	42,453	686,149	2,552,987
Fund Balances:					
Reserved for Encumbrances	38,678	5,868	556,443	470,971	1,071,960
Reserved for Prepaid Items	48,324	0	0	12,389	60,713
Reserved for Supplies Inventory	52,557	0	0	67,179	119,736
Reserved for Debt Service	0	0	0	757,865	757,865
Undesignated, Unreserved in:					
General Fund	2,459,362	0	0	0	2,459,362
Special Revenue Funds	0	168,142	0	359,321	527,463
Capital Projects Funds	0	0	633,102	563,918	1,197,020
Permanent Fund	0	0	0	87,747	87,747
Total Fund Balances	2,598,921	174,010	1,189,545	2,319,390	6,281,866
Total Liabilities and Funds Balances	\$ 3,712,702	\$ 884,614	\$ 1,231,998	\$ 3,005,539	\$ 8,834,853

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2003***

Total Governmental Fund Balances \$ 6,281,866

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

Capital Assets used in governmental activities are not resources and
therefore are not reported in the funds. 20,049,692

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 643,580

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds. (6,428,730)

The Internal Service Fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service funds is included in governmental activities in the statement of
net assets. This is the balance that is recorded in the governmental
activities. (50,589)

Net Assets of Governmental Funds \$ 20,495,819

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003**

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,143,142	\$ 495,816	\$ 0	\$ 351,348	\$ 5,990,306
Intergovernmental Revenues	597,199	54,980	132,361	551,860	1,336,400
Charges for Services	148,701	0	0	506,127	654,828
Licenses and Permits	23,933	0	0	0	23,933
Investment Earnings	121,177	1,786	0	699	123,662
Fines and Forfeitures	23,436	0	0	12,632	36,068
All Other Revenue	18,411	475	38,068	12,788	69,742
Total Revenue	6,075,999	553,057	170,429	1,435,454	8,234,939
Expenditures:					
Current:					
Security of Persons and Property	2,891,798	770,794	0	406,446	4,069,038
Public Health and Welfare Services	52,500	0	0	0	52,500
Leisure Time Activities	766,805	0	65,142	643,850	1,475,797
Community Environment	255,327	0	0	0	255,327
Basic Utility Services	0	0	568,416	0	568,416
Transportation	0	0	1,148,009	1,519,642	2,667,651
General Government	1,180,029	0	0	32,139	1,212,168
Debt Service:					
Principal Retirement	0	0	0	377,928	377,928
Interest and Fiscal Charges	0	0	31,955	202,563	234,518
Total Expenditures	5,146,459	770,794	1,813,522	3,182,568	10,913,343
Excess (Deficiency) of Revenues Over Expenditures	929,540	(217,737)	(1,643,093)	(1,747,114)	(2,678,404)
Other Financing Sources (Uses):					
Proceeds from the Sale of Capital Assets	33,746	0	0	125	33,871
General Obligation Bonds Issued	0	0	2,035,000	0	2,035,000
Transfers In	0	0	0	1,784,791	1,784,791
Transfers Out	(718,200)	0	(1,066,591)	0	(1,784,791)
Total Other Financing Sources (Uses)	(684,454)	0	968,409	1,784,916	2,068,871
Net Change in Fund Balances	245,086	(217,737)	(674,684)	37,802	(609,533)
Restated Fund Balances at Beginning of Year	2,341,835	391,747	1,864,229	2,267,144	6,864,955
Increase in Inventory Reserve	12,000	0	0	14,444	26,444
Fund Balances End of Year	\$ 2,598,921	\$ 174,010	\$ 1,189,545	\$ 2,319,390	\$ 6,281,866

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2003***

Net Change in Fund Balances - Total Governmental Funds \$ (609,533)

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

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 depreciation exceeded capital outlay. (47,809)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets net of proceeds received. (18,581)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 242,740

The issuance of long-term debt (e.g. G.O. Bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. (1,652,047)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (4,842)

Some expenses reported in the statement of activities, such as change in inventory and compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 47,794

The Internal Service Fund, is used to charge the cost of services (e.g. insurance) to individual funds, is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities. (58,165)

Change in Net Assets of Governmental Activities \$ (2,100,443)

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 3,729,684	\$ 4,896,654	\$ 5,095,113	\$ 198,459
Intergovernmental Revenue	599,070	514,934	520,537	5,603
Charges for Services	123,300	123,300	148,701	25,401
Licenses and Permits	35,750	23,750	23,933	183
Investment Earnings	190,000	107,900	118,454	10,554
Fines and Forfeitures	35,100	24,600	24,604	4
All Other Revenues	26,450	16,450	18,411	1,961
Total Revenues	<u>4,739,354</u>	<u>5,707,588</u>	<u>5,949,753</u>	<u>242,165</u>
Expenditures:				
Current:				
Security of Persons and Property	2,950,210	3,049,652	2,894,724	154,928
Public Health and Welfare Services	55,000	55,000	52,500	2,500
Leisure Time Activities	1,011,360	1,018,121	790,895	227,226
Community Environment	304,466	304,466	269,482	34,984
General Government	1,307,905	1,348,805	1,209,355	139,450
Total Expenditures	<u>5,628,941</u>	<u>5,776,044</u>	<u>5,216,956</u>	<u>559,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(889,587)	(68,456)	732,797	801,253
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	0	33,746	33,746
Transfers Out	(709,500)	(718,200)	(718,200)	0
Advances Out	0	(10,000)	(10,000)	0
Total Other Financing Sources (Uses):	<u>(709,500)</u>	<u>(728,200)</u>	<u>(694,454)</u>	<u>33,746</u>
Net Change in Fund Balance	(1,599,087)	(796,656)	38,343	834,999
Fund Balance at Beginning of Year	1,835,166	1,835,166	1,835,166	0
Prior Year Encumbrances	83,396	83,396	83,396	0
Fund Balance at End of Year	<u>\$ 319,475</u>	<u>\$ 1,121,906</u>	<u>\$ 1,956,905</u>	<u>\$ 834,999</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 501,044	\$ 495,333	\$ 495,816	\$ 483
Intergovernmental Revenue	57,867	49,758	54,980	5,222
Investment Earnings	10,000	1,595	1,786	191
All Other Revenues	0	0	475	475
Total Revenues	<u>568,911</u>	<u>546,686</u>	<u>553,057</u>	<u>6,371</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>814,701</u>	<u>868,701</u>	<u>789,762</u>	<u>78,939</u>
Total Expenditures	<u>814,701</u>	<u>868,701</u>	<u>789,762</u>	<u>78,939</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(245,790)	(322,015)	(236,705)	85,310
Other Financing Sources (Uses):				
Advances Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
Total Other Financing Sources (Uses):	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
Net Change in Fund Balance	(295,790)	(372,015)	(286,705)	85,310
Fund Balance at Beginning of Year	248,729	248,729	248,729	0
Prior Year Encumbrances	<u>224,826</u>	<u>224,826</u>	<u>224,826</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 177,765</u>	<u>\$ 101,540</u>	<u>\$ 186,850</u>	<u>\$ 85,310</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2003**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 1,396,272	\$ 1,968,708	\$ 3,364,980	\$ 29,050
Receivables:				
Accounts	131,872	284,676	416,548	0
Inventory of Supplies at Cost	56,982	18,102	75,084	0
Prepaid Items	19,747	22,509	42,256	0
Total current assets	1,604,873	2,293,995	3,898,868	29,050
Noncurrent assets:				
Non-Depreciable Capital Assets	305,427	91,947	397,374	0
Depreciable Capital Assets, Net	9,991,523	6,799,730	16,791,253	0
Total noncurrent assets	10,296,950	6,891,677	17,188,627	0
Total Assets	11,901,823	9,185,672	21,087,495	29,050
LIABILITIES:				
Current Liabilities:				
Accounts Payable	190,741	42,340	233,081	90,680
Accrued Wages and Benefits Payable	18,003	17,014	35,017	0
Intergovernmental Payable	1,169	0	1,169	0
Accrued Interest Payable	10,485	0	10,485	0
General Obligation Bonds Payable - Current	135,000	0	135,000	0
Installment Loan Payable - Current	0	24,777	24,777	0
OWDA Loans Payable - Current	0	454,007	454,007	0
Compensated Absences Payable - Current	3,868	4,676	8,544	0
Total current liabilities	359,266	542,814	902,080	90,680
Noncurrent liabilities:				
General Obligation Bonds Payable	2,610,000	0	2,610,000	0
OWDA Loans Payable	0	3,916,762	3,916,762	0
Compensated Absences Payable	71,300	56,100	127,400	0
Total noncurrent liabilities	2,681,300	3,972,862	6,654,162	0
Total Liabilities	3,040,566	4,515,676	7,556,242	90,680
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	7,551,950	2,496,131	10,048,081	0
Unrestricted	1,309,307	2,173,865	3,483,172	(61,630)
Total net assets	\$ 8,861,257	\$ 4,669,996	13,531,253	\$ (61,630)
Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.			(11,041)	
Net Assets of Business-type Activities			\$ 13,520,212	

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total Enterprise Funds	
Operating Revenues:				
Charges for Services	\$ 1,217,410	\$ 2,092,785	\$ 3,310,195	\$ 397,000
Other Operating Revenue	5,122	288	5,410	11,049
Total Operating Revenues	<u>1,222,532</u>	<u>2,093,073</u>	<u>3,315,605</u>	<u>408,049</u>
Operating Expenses:				
Personal Services	490,950	601,785	1,092,735	478,909
Contractual Services	295,978	719,684	1,015,662	0
Materials and Supplies	276,951	104,850	381,801	0
Depreciation	348,397	359,278	707,675	0
Total Operating Expenses	<u>1,412,276</u>	<u>1,785,597</u>	<u>3,197,873</u>	<u>478,909</u>
Operating Income (Loss)	(189,744)	307,476	117,732	(70,860)
Non-operating Revenue (Expenses):				
Intergovernmental Revenues	384,849	0	384,849	0
Investment Earnings	0	10,792	10,792	0
Interest and Fiscal Charges	(130,706)	(223,110)	(353,816)	0
Loss on Disposal of Capital Assets	(2,874)	(2,875)	(5,749)	0
Total Non-operating Revenues (Expenses)	<u>251,269</u>	<u>(215,193)</u>	<u>36,076</u>	<u>0</u>
Income (Loss) Before Contributions	61,525	92,283	153,808	(70,860)
Capital Contributions	0	460,336	460,336	0
Change in Net Assets	61,525	552,619	614,144	(70,860)
Net Assets Beginning of Year	<u>8,799,732</u>	<u>4,117,377</u>	<u>12,917,109</u>	<u>9,230</u>
Net Assets End of Year	<u>\$ 8,861,257</u>	<u>\$ 4,669,996</u>	<u>13,531,253</u>	<u>\$ (61,630)</u>
			Change in Net Assets - Total Enterprise Funds	614,144
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	<u>(12,695)</u>
			Change in Net Assets - Business-type Activities	<u>\$ 601,449</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003**

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water	Sewer	Total Enterprise Funds	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,204,641	\$2,055,699	\$3,260,340	\$397,000
Cash Payments for Goods and Services	(555,020)	(832,143)	(1,387,163)	0
Cash Payments to Employees	(490,500)	(600,461)	(1,090,961)	(452,445)
Other Operating Cash Receipts	5,122	0	5,122	11,049
Net Cash Provided (Used) by Operating Activities	164,243	623,095	787,338	(44,396)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Intergovernmental Grants	384,849	0	384,849	0
Net Cash Provided by Noncapital Financing Activities	384,849	0	384,849	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
OWDA Loan Proceeds	0	230,000	230,000	0
Principal Paid on General Obligation Bonds	(130,000)	0	(130,000)	0
Acquisition and Construction of Assets	(695,434)	(71,212)	(766,646)	0
Principal Paid on Ohio Water Development Authority Loans	0	(432,131)	(432,131)	0
Principal Paid on Installment Loans	0	(23,596)	(23,596)	0
Interest Paid on All Debt	(131,150)	(223,310)	(354,460)	0
Net Cash Used for Capital and Related Financing Activities	(956,584)	(520,249)	(1,476,833)	0
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	0	10,792	10,792	0
Net Cash Provided by Investing Activities	0	10,792	10,792	0
Net Increase (Decrease) in Cash and Cash Equivalents	(407,492)	113,638	(293,854)	(44,396)
Cash and Cash Equivalents at Beginning of Year	1,803,764	1,855,070	3,658,834	73,446
Cash and Cash Equivalents at End of Year	\$1,396,272	\$1,968,708	\$3,364,980	\$29,050
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	(\$189,744)	\$307,476	\$117,732	(\$70,860)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	348,397	359,278	707,675	0
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(12,769)	(37,374)	(50,143)	0
(Increase) Decrease in Inventory	23,540	(3,554)	19,986	0
Increase in Prepaid Items	(12,683)	(15,287)	(27,970)	0
Increase in Accounts Payable	6,153	11,502	17,655	26,464
Decrease in Accrued Wages and Benefits Payable	(5,423)	(10,287)	(15,710)	0
Increase in Intergovernmental Payable	1,169	0	1,169	0
Increase in Compensated Absences Payable	5,603	11,341	16,944	0
Total Adjustments	353,987	315,619	669,606	26,464
Net Cash Provided (Used) by Operating Activities	\$164,243	\$623,095	\$787,338	(\$44,396)

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2003, the Sewer Fund received \$460,336 of capital assets contributed from other funds.

See accompanying notes to the basic financial statements

***Statement of Net Assets
Fiduciary Fund
December 31, 2003***

	<u>Private Purpose Trust</u>
Assets:	
Cash and Cash Equivalents	\$ 1,866
Total Assets	<u>1,866</u>
Liabilities:	
Total Liabilities	<u>0</u>
Net Assets:	
Unrestricted	<u>1,866</u>
Total Net Assets	<u><u>\$ 1,866</u></u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2003***

	<u>Private Purpose Trust</u>
Additions:	
Contributions	\$ 322
Total Additions	<u>322</u>
Deductions:	
Total Deductions	<u>0</u>
Change in Net Assets	322
Net Assets at Beginning of Year	<u>1,544</u>
Net Assets End of Year	<u><u>\$ 1,866</u></u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Heath, Ohio (the "City") is a home rule municipal corporation created under the laws of the State of Ohio. Heath was first incorporated as a village on March 21, 1952 and achieved city status on April 28, 1965. The City currently operates under and is governed by its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted in 1964.

The financial statements are presented as of December 31, 2003 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The following fund types are used by the City:

Governmental Funds - Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

General Fund – This fund is used to account for all financial resources except those 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.

Fire Levy Fund – This fund is used to account for property tax collected and designated for the operations of the Fire Department.

Capital Improvement Fund – This fund is used to account for financial resources used for the major capital projects undertaken by the City.

Proprietary Funds - All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, whereby the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Sewer Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The City's only fiduciary fund is a private-purpose trust that accounts for unclaimed monies.

C. Basis of Presentation – Financial Statements

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, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of 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.

Fiduciary funds are reported using the economic resources measurement focus.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for debt service and expenditures related to compensated absences which are recorded only when due.

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. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Property taxes measurable as of December 31, 2003 but which are not intended to finance 2003 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds are legally required to be budgeted and appropriated; however, only the General and Major Special Revenue Funds are required to be reported. The legal level of budgetary control is by fund at the major object level (personal services, materials and supplies, contractual services, etc.) by department. Budgetary modifications may only be made by ordinance of the City Council.

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. During 2003, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and for the major special revenue fund is shown below:

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	\$245,086	(\$217,737)
Increase (Decrease):		
Accrued Revenues at December 31, 2003 received during 2004	(685,884)	0
Accrued Revenues at December 31, 2002 received during 2003	549,638	0
Accrued Expenditures at December 31, 2003 paid during 2004	198,723	18,708
Accrued Expenditures at December 31, 2002 paid during 2003	(205,864)	(81,808)
2002 Prepays for 2003	38,942	0
2003 Prepays for 2004	(48,324)	0
Outstanding Encumbrances	(53,974)	(5,868)
Budget Basis	<u>\$38,343</u>	<u>(\$286,705)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2003, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider their share of equity in STAR Ohio to be cash equivalents. (See Note 5, "Cash, Cash Equivalents and Investments.")

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The City has invested funds in the STAR Ohio during 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2003.

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental fund when purchased and as expenses in the proprietary funds when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental Activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost or estimated historical cost for assets not purchased in recent years.

Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of governmental activities infrastructure include roads, curbs, sidewalks and storm sewers. These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

2. Property, Plant and Equipment – Business Type Activities

Proprietary funds capital assets are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. Proprietary funds capital assets are similar to Governmental Activities capital assets with the exception of the infrastructure. Proprietary infrastructure consists of water and sewer lines. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	15 – 40
Improvements Other Than Buildings	50
Machinery and Equipment	5 – 10
Infrastructure	15 - 100

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bonds	Debt Service Fund Water Fund
Installment Loans	Capital Improvements Fund Sewer Fund
Capital Leases	General Fund
Ohio Water Development Authority Loans	Sewer Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Water Fund Sewer Fund

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, that portion of unpaid compensated absences that is due and payable as of year end using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

M. Restricted Assets

Cash with fiscal agent is classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

N. Pensions

The provision for pension costs are recorded when the related payroll is accrued and the obligation is incurred.

O. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Self-Funded Insurance

The City is self-funded for employee health care benefits. The program is administered by Professional Claims Management, Inc., which provides claims review and processing services. Each City fund is charged for its proportionate share of covered employees. The City records a liability in accounts payable for incurred but unreported claims at year end based upon an analysis of historical claims and expenses.

Q. Interfund Activity

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 and after nonoperating revenues/expenses in proprietary funds. Flows of cash or goods from one fund to another with a requirement for repayment are reported as advances to/from other funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Reservations of Fund Balance

Reservations of fund balance or net assets indicate that a portion of the balance is not available for expenditure or is legally segregated for a specific future use. Balances are reserved for inventories of materials and supplies, prepaid items, debt service and encumbered amounts that are not accrued at year end in the governmental funds.

S. 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 borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, state and federal grants for public safety and mandatory fines for various court programs.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the City has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”; GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”; GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”; and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*” At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements 36, 37 and 38, or Interpretation No. 6.

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

B. Prior Period Adjustments

The balances reported at December 31, 2002 were restated from amounts previously reported to reclassify funds from one fund type to another. This restatement was necessitated by the implementation of GASB Statement No. 34.

The balances reported at December 31, 2002 in the General Fund and the Capital Improvement Funds were restated to correct an error in the reporting of income taxes receivable. As a result of the restatement, the fund balance of the General Fund was increased by \$118,337 and the fund balance of the Capital Improvement Fund was decreased by the same amount.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE (continued)

C. Restatement of Fund Balance

The changes to the beginning fund balance, as well as the transition from fund balance to net assets of the governmental activities and the business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Fund Balance December 31, 2002	\$6,779,787	\$7,573,544
Adjustments:		
Reclassified fund from Expendable Trust Fund to Permanent Fund	85,168	0
Total Prior Period Adjustments	<u>85,168</u>	<u>0</u>
GASB 34 Adjustments:		
Capital Assets	20,116,082	643,529
Contributed Capital	0	4,700,036
Internal Service Fund	7,576	1,654
Long-Term Liabilities	(4,793,191)	0
Long-Term (Deferred) Assets	400,840	0
Net Assets, December 31, 2002	<u><u>\$22,596,262</u></u>	<u><u>\$12,918,763</u></u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets of governmental funds as reported in the government-wide statement of net assets. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Delinquent Income Tax Revenue	\$79,366
Delinquent Property Tax Revenue	136,122
Shared Revenues	<u>428,092</u>
	\$643,580

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	\$5,775,000
Installment Loans Payable	55,910
Capital Leases Payable	18,868
Accrued Interest on Long-Term Debt	22,621
Compensated Absences Payable	<u>556,331</u>
	\$6,428,730

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	\$1,197,366
Depreciation Expense	(1,245,175)
	<u>(\$47,809)</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$15,379
Increase in Delinquent Property Tax	16,776
Increase in Shared Revenue	210,585
	<u>\$242,740</u>

Net amount of long-term debt issuance and bond and lease principal payments:

General Obligation Bond Principal	\$335,000
Installment Loan Principal	42,928
Capital Lease Payments	5,025
General Obligation Bond Issued	(2,035,000)
	<u>(\$1,652,047)</u>

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$21,350
Increase in supplies inventory	26,444
	<u>\$47,794</u>

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2003 of \$64,666 in the Fire Pension Fund and \$53,825 in the Police Pension Fund (special revenue funds) and of \$61,630 in the Self Insurance Fund (internal service fund) arise from the recognition of expenditures/expenses on the modified accrual/accrual basis that are greater than expenditures/expenses recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- | | |
|------------|---|
| Category 1 | Insured or collateralized with securities held by the City or by its agent in the City's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. |
| Category 3 | Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. |

Investments:

- | | |
|------------|--|
| Category 1 | Insured or registered, with securities held by the City or its agent in the City's name. |
| Category 2 | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. |
| Category 3 | Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. |

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

At year end the carrying amount of the City's deposits was \$3,100,179 and the bank balance was \$3,387,287. Federal depository insurance covered \$200,000 of the bank balance, and all remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 2003 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$1,057,723	\$1,057,723
Total Categorized Investments	1,057,723	1,057,723
<u>Non-Categorized Investments</u>		
STAR Ohio	N/A	5,064,893
Total Non-Categorized	N/A	5,064,893
Total Investments	\$1,057,723	\$6,122,616

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$116,550 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Statement of Net Assets	\$8,165,072	\$1,057,723
Investments:		
STAR Ohio	(5,064,893)	5,064,893
Per GASB Statement No. 3	\$3,100,179	\$6,122,616

* Does not include Cash with Fiscal Agent

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the City and used in business. Real property taxes (other than public utility) collected during 2003 were levied after October 1, 2002 on assessed values as of January 1, 2002, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2003 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2003 levy was based was \$254,495,240. This amount constitutes \$207,346,080 in real property assessed value, \$6,026,210 in public utility assessed value and \$41,122,950 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .540% (5.40 mills) of assessed value.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 6 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

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 and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2003:

Fund	Transfer In	Transfer Out
Governmental Activities:		
General Fund	\$0	\$718,200
Capital Improvement Fund	0	1,066,591
Other Governmental Funds	1,784,791	0
Totals	<u>\$1,784,791</u>	<u>\$1,784,791</u>

NOTE 9 - INTERFUND RECEIVABLES AND PAYABLES

Advances to/from Other Funds	Advances to	Advances from
General Fund	\$10,000	\$0
Other Governmental Funds	0	10,000
Totals	<u>\$10,000</u>	<u>\$10,000</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2003:

Historical Cost:

Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
<i>Non-Depreciable Capital Assets:</i>				
Land	\$5,657,286	\$53,645	\$0	\$5,710,931
Construction in Progress	13,252	26,701	(13,253)	26,700
<i>Depreciable Capital Assets:</i>				
Buildings	4,759,198	0	0	4,759,198
Improvements other than Buildings	2,789,631	17,717	0	2,807,348
Machinery and Equipment	5,471,881	946,680	(323,650)	6,094,911
Infrastructure	11,005,987	165,876	0	11,171,863
Total Cost	\$29,697,235	\$1,210,619	(\$336,903)	\$30,570,951
<i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings	(\$1,583,298)	(\$112,260)	\$0	(\$1,695,558)
Improvements other than Buildings	(341,851)	(129,611)	0	(471,462)
Machinery and Equipment	(3,226,060)	(441,538)	305,069	(3,362,529)
Infrastructure	(4,429,944)	(561,766)	0	(4,991,710)
Total Depreciation	(\$9,581,153)	(\$1,245,175) *	\$305,069	(\$10,521,259)
<i>Net Value:</i>	\$20,116,082			\$20,049,692

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$285,802
Leisure Time Activities	200,813
Community Environment	44,918
Transportation	679,336
General Government	34,306
Total Depreciation Expense	\$1,245,175

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 10 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2003:

Historical Cost:

Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
<i>Non-Depreciable Capital Assets:</i>				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	3,750	0	(3,750)	0
<i>Depreciable Capital Assets:</i>				
Buildings	12,676,568	38,889	0	12,715,457
Improvements Other Than Buildings	1,020,518	491,254	(1,474)	1,510,298
Machinery and Equipment	4,761,165	71,545	(32,985)	4,799,725
Infrastructure	10,582,559	798,656	0	11,381,215
Total Cost	\$29,441,934	\$1,400,344	(\$38,209)	\$30,804,069

Accumulated Depreciation:

Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings	(\$3,094,067)	(\$320,899)	\$0	(\$3,414,966)
Improvements Other Than Buildings	(392,287)	(62,610)	1,474	(453,423)
Machinery and Equipment	(3,665,379)	(105,980)	27,236	(3,744,123)
Infrastructure	(5,784,744)	(218,186)	0	(6,002,930)
Total Depreciation	(\$12,936,477)	(\$707,675)	\$28,710	(\$13,615,442)

<i>Net Value:</i>	\$16,505,457			\$17,188,627
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NOTE 11 – DEFINED BENEFIT PENSION PLANS

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Ohio Public Employees Retirement System (the “Ohio PERS”)

The following information was provided by the Ohio PERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2003, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2003 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2003, 2002 and 2001 were \$360,525, \$347,209 and \$301,897, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year 2003 was 5.0% of covered payroll which amounted to \$133,035.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2002 is \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”)

All City full-time police officers and full-time firefighters participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2003, 2002 and 2001 were \$199,796, \$204,440 and \$193,503 for police and \$222,767, \$218,965 and \$192,623 for firefighters, respectively, which were equal to the required contributions for each year.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2003 covered payroll that was used to fund postemployment health care benefits was \$79,406 representing 7.75% of covered payroll for police and \$71,935 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2002, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,527 for police and 10,396 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2002 were \$141,028,006, which was net of member contributions of \$12,623,875.

NOTE 12 – COMPENSATED ABSENCES

The City accrues a liability for accumulated unpaid sick, vacation, and compensatory time when earned by employees. Employees earn sick and vacation leave at varying rates based upon length of service. Upon retirement, an employee with ten or more years of service with the City will be compensated for their accumulated sick leave at a rate of 50% of the balance.

At December 31, 2003, the City's accumulated, unpaid compensated absences amounted to \$692,275. Of this amount, \$556,331 is recorded as Governmental Activities on the Entity Wide Statement of Net Assets (\$39,904 is reported as due within one year), \$135,944 is recorded as Business-type activities (\$8,544 is reported as due in more than one year).

At December 31, 2003 the liability recorded as Governmental Activities within the Statement of Net Assets representing unpaid vacation time, sick leave and compensatory time was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	27,907	\$516,427
Vacation / Compensatory Time	2,239	39,904
Total	<u>30,146</u>	<u>\$556,331</u>

CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2003 were as follows:

			Balance December 31, 2002	Additions	(Reductions)	Balance December 31, 2003	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
3.70 - 4.25%	30th Street Improvement	2005	\$585,000	\$0	(\$195,000)	\$390,000	\$190,000
3.70 - 4.75%	Fire Station Improvement	2018	1,640,000	0	(75,000)	1,565,000	75,000
4.25 - 5.05%	Swimming Pool Improvement	2022	1,850,000	0	(65,000)	1,785,000	65,000
3.00 - 5.00%	State Route 79 Improvement	2023	0	2,035,000	0	2,035,000	75,000
Total General Obligation Bonds			4,075,000	2,035,000	(335,000)	5,775,000	405,000
	Installment Loan Payable		98,837	0	(42,927)	55,910	45,236
	Capital Leases		23,893	0	(5,025)	18,868	5,618
	Compensated Absences		577,681	556,331	(577,681)	556,331	39,904
Total Governmental Long-Term Debt			\$4,775,411	\$2,591,331	(\$960,633)	\$6,406,109	\$495,758
Business Type Activities:							
General Obligation Bond:							
3.70 - 4.75%	Water Improvement	2018	\$2,875,000	\$0	(\$130,000)	\$2,745,000	\$135,000
Ohio Water Development Authority Loans:							
5.00%	Loan SRF-112	2012	3,749,958	0	(339,202)	3,410,756	356,373
5.00%	Loan SRF-114	2010	822,942	0	(92,929)	730,013	97,634
3.76%	Planning Loan	2018	0	230,000	0	230,000	0
Total OWDA Loans			4,572,900	230,000	(432,131)	4,370,769	454,007
	Installment Loan Payable		48,373	0	(23,596)	24,777	24,777
	Compensated Absences		119,000	135,944	(119,000)	135,944	8,544
Total Business Type Long-Term Debt			\$7,615,273	\$365,944	(\$704,727)	\$7,276,490	\$622,328

Principal and interest requirements to retire long-term debt outstanding at December 31, 2003 were as follows:

Years	General Obligation Bonds		Installment Loans		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$540,000	\$378,697	\$70,013	\$3,338	\$454,007	\$201,634
2005	555,000	356,387	10,674	307	476,992	178,450
2006	380,000	333,250	0	0	501,139	154,302
2007	385,000	317,459	0	0	526,509	128,932
2008	400,000	301,862	0	0	553,164	102,277
2009-2013	2,265,000	1,243,844	0	0	1,858,958	137,962
2014-2018	2,820,000	687,901	0	0	0	0
2019-2023	1,175,000	163,355	0	0	0	0
Totals	\$8,520,000	\$3,782,755	\$80,687	\$3,645	\$4,370,769	\$903,557

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Defeased Debt

In August 1998, the City defeased \$1,300,000 of General Obligation Bonds for 30th Street Improvements dated November 1, 1989 (the "1989 Bonds") through the issuance of \$1,420,000 of General Obligation Bonds for 30th Street Improvements (the "1998 Bonds"). The net proceeds of the 1998 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which had an outstanding balance of \$395,000 at December 31, 2003 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

NOTE 14 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

General Obligation Note:	Balance December 31, 2002	Issued	(Retired)	Balance December 31, 2003
Capital Projects Fund:				
1.80% State Route 79 Improvement	\$2,000,000	\$0	(\$2,000,000)	\$0

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 15 - CAPITAL LEASES

The City leases two copiers and a mailing machine under capital leases. The cost of the equipment obtained under lease agreements (\$28,271) are included in the Governmental Activities capital assets as machinery and equipment. The liability for these leases are recorded on the Statement of Net Assets as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2003:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2004	\$7,355
2005	7,355
2006	5,220
2007	<u>2,274</u>
Minimum Lease Payments	22,204
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(3,336)</u>
Present value of minimum lease payments	<u><u>\$18,868</u></u>

NOTE 16 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City carries commercial insurance policies to cover comprehensive liability, official and employee errors and omissions, and property and equipment. There has been no significant reduction in insurance coverages from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. The City of Heath is a member of the Ohio Municipal League (OMB) Workers' Compensation Pool. The pool groups similar municipal employers to gain a greater discount in worker's compensation premiums for City employees. Section 4123.29 of the Ohio Revised Code, and the rules promulgated there under, permit the establishment of the employer group rating plan. Said plans pool and group the experience (payroll amounts and claims losses) of the participating employers in order to create a lower worker's compensation premium rate. The Ohio Municipal League (OMB) as a sponsoring organization offers the plan to achieve lower workers' compensation premium rates for participants and to promote establishment of a safer working environment.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 16 - RISK MANAGEMENT (Continued)

The City has a group health insurance program for employees and their eligible dependents. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) are available to pay claims and administrative costs. The plan is administered by a third party administrator, Professional Claims Management, Inc., which monitors all claim payments. Excess loss coverage, provided by the HCC Life Insurance Company, becomes effective after \$25,000 per year per specific claim. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$90,680 reported in the fund at December 31, 2003 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount in fiscal years 2002 and 2003 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2002	\$84,400	\$536,872	(\$557,056)	\$64,216
2003	64,216	478,909	(452,445)	90,680

NOTE 17 - CONTINGENCIES

The City is a party to various legal proceedings, which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 18 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2003, the City had the following significant contractual commitments outstanding:

Vendor	Remaining Contractual Commitment	Project
Rayco Excavating	\$391,318	Waterline, Sludge Improvements
Various Property Owners	349,537	Property Acquisitions - Road Improvements
Ohio Department of Transportation	315,451	State Route 79 Improvements
Law General Contracting	237,148	Irvingwick Dr. Improvements
Layton Excavating	113,803	Lift Station Installation

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS.*

Nonmajor Governmental Funds

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

To account for state levied and controlled gasoline tax and motor vehicle license fees designated for local street construction, maintenance and repair.

State Highway Fund

To account for the portion of the state gasoline tax and motor vehicle license fees designated for construction, maintenance and repair of state highways within the City.

County \$5 Permissive License Tax Fund

To account for permissive license tax received from the County for a project approved by the county engineer, or transfers to finance the project until completion whereupon reimbursement will be received.

Swimming Pool Fund

To account for revenues and expenditures related to the operations of the Heath Municipal Pool.

Fire Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for fire disability and pension.

Police Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for police disability and pension.

Law Enforcement Trust Fund

To account for funds received by the police department for contraband, per state statute.

Enforcement and Education Fund

To account for financial resources used to educate the public regarding laws governing the operation of motor vehicles while under the influence of alcohol.

D.A.R.E. Fund

To account for revenues and expenditures relative to D.A.R.E. activities.

(Continued)

Debt Service Fund

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies when the government is obligated in some manner for payment.

General Obligation Debt Service Fund

To account for resources that are used for payment of principal, interest and fiscal charges on general obligation debt.

Capital Projects Fund

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

County Road Fund

To account for financial resources used for the planning and construction of a connector road from SR 79 to Thornwood Drive.

Forry Preserve Fund

To account for financial resources used to purchase property for a nature preserve using grant monies secured from the Ohio Public Works Commission.

Irving Wick Drive Improvement Fund

To account for financial resources used for the improvement of Irving Wick Drive.

Permanent Fund

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not the principal, may be used to support the City's programs.

Conn Memorial Trust Fund

To account for money left to the City by the Conn family in trust for the operation and maintenance of the John C. Geller Park.

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 420,993	\$ 1,150,603	\$ 733,538	\$ 87,747	\$ 2,392,881
Receivables:					
Taxes	173,722	0	28,295	0	202,017
Intergovernmental	214,523	0	0	0	214,523
Inventory of Supplies, at Cost	67,179	0	0	0	67,179
Prepaid Items	12,389	0	0	0	12,389
Cash and Cash Equivalents with Fiscal Agent	116,550	0	0	0	116,550
Total Assets	\$ 1,005,356	\$ 1,150,603	\$ 761,833	\$ 87,747	\$ 3,005,539
Liabilities:					
Accounts Payable	\$ 5,829	\$ 120,133	\$ 0	\$ 0	\$ 125,962
Accrued Wages and Benefits Payable	146,987	0	0	0	146,987
Deferred Revenue	399,232	0	3,968	0	403,200
Advances from Other Funds	10,000	0	0	0	10,000
Total Liabilities	562,048	120,133	3,968	0	686,149
Fund Balances:					
Reserved for Encumbrances	4,419	466,552	0	0	470,971
Reserved for Prepaid Items	12,389	0	0	0	12,389
Reserved for Supplies Inventory	67,179	0	0	0	67,179
Reserved for Debt Service	0	0	757,865	0	757,865
Undesignated/Unreserved	359,321	563,918	0	87,747	1,010,986
Total Fund Balances	443,308	1,030,470	757,865	87,747	2,319,390
Total Liabilities and Fund Balances	\$ 1,005,356	\$ 1,150,603	\$ 761,833	\$ 87,747	\$ 3,005,539

CITY OF HEATH, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2003***

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 138,786	\$ 0	\$ 212,562	\$ 0	\$ 351,348
Intergovernmental Revenues	342,916	208,944	0	0	551,860
Charges for Services	504,247	0	0	1,880	506,127
Investment Earnings	0	0	0	699	699
Fines and Forfeitures	12,632	0	0	0	12,632
All Other Revenue	12,788	0	0	0	12,788
Total Revenue	1,011,369	208,944	212,562	2,579	1,435,454
Expenditures:					
Current:					
Security of Persons and Property	406,446	0	0	0	406,446
Leisure Time Activities	617,518	26,332	0	0	643,850
Transportation	919,603	600,039	0	0	1,519,642
General Government	0	0	32,139	0	32,139
Debt Service:					
Principal Retirement	107,928	0	270,000	0	377,928
Interest & Fiscal Charges	94,877	0	107,686	0	202,563
Total Expenditures	2,146,372	626,371	409,825	0	3,182,568
Excess (Deficiency) of Revenues Over Expenditures	(1,135,003)	(417,427)	(197,263)	2,579	(1,747,114)
Other Financing Sources (Uses):					
Proceeds from the Sale of Fixed Assets	125	0	0	0	125
Transfers In	718,200	1,066,591	0	0	1,784,791
Total Other Financing Sources (Uses)	718,325	1,066,591	0	0	1,784,916
Net Change in Fund Balances	(416,678)	649,164	(197,263)	2,579	37,802
Fund Balances at Beginning of Year	845,542	381,306	955,128	85,168	2,267,144
Increase in Inventory Reserve	14,444	0	0	0	14,444
Fund Balances End of Year	\$ 443,308	\$ 1,030,470	\$ 757,865	\$ 87,747	\$ 2,319,390

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Assets:				
Cash and Cash Equivalents	\$ 310,260	\$ 14,411	\$ 5,501	\$ 9,082
Receivables:				
Taxes	0	0	0	0
Intergovernmental	140,310	11,377	55,000	0
Inventory of Supplies, at Cost	63,724	0	0	3,455
Prepaid Items	6,156	0	0	6,233
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	116,550	0
Total Assets	<u>\$ 520,450</u>	<u>\$ 25,788</u>	<u>\$ 177,051</u>	<u>\$ 18,770</u>
Liabilities:				
Accounts Payable	\$ 3,797	\$ 1,483	\$ 0	\$ 549
Accrued Wages and Benefits Payable	16,719	0	0	2,452
Deferred Revenue	93,540	7,584	116,550	0
Advances from Other Funds	0	0	0	10,000
Total Liabilities	<u>114,056</u>	<u>9,067</u>	<u>116,550</u>	<u>13,001</u>
Fund Balances:				
Reserved for Encumbrances	3,807	0	0	612
Reserved for Prepaid Items	6,156	0	0	6,233
Reserved for Supplies Inventory	63,724	0	0	3,455
Undesignated/Unreserved	332,707	16,721	60,501	(4,531)
Total Fund Balances	<u>406,394</u>	<u>16,721</u>	<u>60,501</u>	<u>5,769</u>
Total Liabilities and Fund Balances	<u>\$ 520,450</u>	<u>\$ 25,788</u>	<u>\$ 177,051</u>	<u>\$ 18,770</u>

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 4,700	\$ 4,625	\$ 39,202	\$ 22,088	\$ 11,124	\$ 420,993
86,861	86,861	0	0	0	173,722
3,918	3,918	0	0	0	214,523
0	0	0	0	0	67,179
0	0	0	0	0	12,389
0	0	0	0	0	116,550
<u>\$ 95,479</u>	<u>\$ 95,404</u>	<u>\$ 39,202</u>	<u>\$ 22,088</u>	<u>\$ 11,124</u>	<u>\$ 1,005,356</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,829
69,366	58,450	0	0	0	146,987
90,779	90,779	0	0	0	399,232
0	0	0	0	0	10,000
<u>160,145</u>	<u>149,229</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>562,048</u>
0	0	0	0	0	4,419
0	0	0	0	0	12,389
0	0	0	0	0	67,179
<u>(64,666)</u>	<u>(53,825)</u>	<u>39,202</u>	<u>22,088</u>	<u>11,124</u>	<u>359,321</u>
<u>(64,666)</u>	<u>(53,825)</u>	<u>39,202</u>	<u>22,088</u>	<u>11,124</u>	<u>443,308</u>
<u>\$ 95,479</u>	<u>\$ 95,404</u>	<u>\$ 39,202</u>	<u>\$ 22,088</u>	<u>\$ 11,124</u>	<u>\$ 1,005,356</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	242,442	19,660	55,000	0
Charges for Services	0	0	0	504,247
Fines and Forfeitures	0	0	0	0
All Other Revenue	1,344	18	0	1,988
Total Revenue	243,786	19,678	55,000	506,235
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	0	617,518
Transportation	698,987	140,922	79,694	0
Debt Service:				
Principal Retirement	42,928	0	0	65,000
Interest & Fiscal Charges	6,835	0	0	88,042
Total Expenditures	748,750	140,922	79,694	770,560
Excess (Deficiency) of Revenues Over Expenditures	(504,964)	(121,244)	(24,694)	(264,325)
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	125	0	0	0
Transfers In	490,000	0	0	0
Total Other Financing Sources (Uses)	490,125	0	0	0
Net Change in Fund Balances	(14,839)	(121,244)	(24,694)	(264,325)
Fund Balances at Beginning of Year	408,059	137,965	85,195	268,824
Increase in Inventory Reserve	13,174	0	0	1,270
Fund Balances End of Year	\$ 406,394	\$ 16,721	\$ 60,501	\$ 5,769

CITY OF HEATH, OHIO

Fire Pension	Police Pension	Law Enforcement Trust	Enforcement and Education	D.A.R.E.	Total Nonmajor Special Revenue Funds
\$ 69,393	\$ 69,393	\$ 0	\$ 0	\$ 0	\$ 138,786
7,907	7,907	0	10,000	0	342,916
0	0	0	0	0	504,247
0	0	10,948	1,511	173	12,632
0	0	6,600	0	2,838	12,788
<u>77,300</u>	<u>77,300</u>	<u>17,548</u>	<u>11,511</u>	<u>3,011</u>	<u>1,011,369</u>
185,310	202,770	13,276	916	4,174	406,446
0	0	0	0	0	617,518
0	0	0	0	0	919,603
0	0	0	0	0	107,928
0	0	0	0	0	94,877
<u>185,310</u>	<u>202,770</u>	<u>13,276</u>	<u>916</u>	<u>4,174</u>	<u>2,146,372</u>
(108,010)	(125,470)	4,272	10,595	(1,163)	(1,135,003)
0	0	0	0	0	125
<u>101,500</u>	<u>126,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>718,200</u>
<u>101,500</u>	<u>126,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>718,325</u>
(6,510)	1,230	4,272	10,595	(1,163)	(416,678)
(58,156)	(55,055)	34,930	11,493	12,287	845,542
0	0	0	0	0	14,444
<u>\$ (64,666)</u>	<u>\$ (53,825)</u>	<u>\$ 39,202</u>	<u>\$ 22,088</u>	<u>\$ 11,124</u>	<u>\$ 443,308</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003**

	<u>County Road</u>	<u>Forry Preserve</u>	<u>Irving Wick Drive Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 349,537	\$ 362,114	\$ 438,952	\$ 1,150,603
Total Assets	<u>\$ 349,537</u>	<u>\$ 362,114</u>	<u>\$ 438,952</u>	<u>\$ 1,150,603</u>
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 120,133	\$ 120,133
Total Liabilities	<u>0</u>	<u>0</u>	<u>120,133</u>	<u>120,133</u>
Fund Balances:				
Reserved for Encumbrances	349,537	0	117,015	466,552
Undesignated/Unreserved	<u>0</u>	<u>362,114</u>	<u>201,804</u>	<u>563,918</u>
Total Fund Balances	<u>349,537</u>	<u>362,114</u>	<u>318,819</u>	<u>1,030,470</u>
Total Liabilities and Fund Balances	<u>\$ 349,537</u>	<u>\$ 362,114</u>	<u>\$ 438,952</u>	<u>\$ 1,150,603</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003**

	<u>County Road</u>	<u>Forry Preserve</u>	<u>Irving Wick Drive Improvement</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 7,140	\$ 201,804	\$ 208,944
Total Revenue	<u>0</u>	<u>7,140</u>	<u>201,804</u>	<u>208,944</u>
Expenditures:				
Current:				
Leisure Time Activities	0	26,332	0	26,332
Transportation	<u>144,463</u>	<u>0</u>	<u>455,576</u>	<u>600,039</u>
Total Expenditures	<u>144,463</u>	<u>26,332</u>	<u>455,576</u>	<u>626,371</u>
Excess (Deficiency) of Revenues Over Expenditures	(144,463)	(19,192)	(253,772)	(417,427)
Other Financing Sources (Uses):				
Transfers In	<u>494,000</u>	<u>0</u>	<u>572,591</u>	<u>1,066,591</u>
Total Other Financing Sources (Uses)	<u>494,000</u>	<u>0</u>	<u>572,591</u>	<u>1,066,591</u>
Net Change in Fund Balances	349,537	(19,192)	318,819	649,164
Fund Balances at Beginning of Year	<u>0</u>	<u>381,306</u>	<u>0</u>	<u>381,306</u>
Fund Balances End of Year	<u>\$ 349,537</u>	<u>\$ 362,114</u>	<u>\$ 318,819</u>	<u>\$ 1,030,470</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,729,684	\$ 4,896,654	\$ 5,095,113	\$ 198,459
Intergovernmental Revenues	599,070	514,934	520,537	5,603
Charges for Services	123,300	123,300	148,701	25,401
Licenses and Permits	35,750	23,750	23,933	183
Investment Earnings	190,000	107,900	118,454	10,554
Fines and Forfeitures	35,100	24,600	24,604	4
All Other Revenues	26,450	16,450	18,411	1,961
Total Revenues	<u>4,739,354</u>	<u>5,707,588</u>	<u>5,949,753</u>	<u>242,165</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,194,831	1,220,831	1,202,018	18,813
Materials and Supplies	40,275	40,275	37,225	3,050
Contractual Services	114,898	175,450	160,567	14,883
Capital Outlay	25,000	14,000	2,713	11,287
Total Police	<u>1,375,004</u>	<u>1,450,556</u>	<u>1,402,523</u>	<u>48,033</u>
Communications:				
Personal Services	371,857	385,857	385,293	564
Contractual Services	39,760	42,760	40,991	1,769
Total Communications	<u>411,617</u>	<u>428,617</u>	<u>426,284</u>	<u>2,333</u>
Fire:				
Personal Services	903,330	903,330	838,882	64,448
Materials and Supplies	71,849	75,739	62,469	13,270
Contractual Services	115,410	118,410	97,462	20,948
Capital Outlay	8,000	8,000	2,510	5,490
Total Fire	<u>1,098,589</u>	<u>1,105,479</u>	<u>1,001,323</u>	<u>104,156</u>
Street Lighting:				
Contractual Services	65,000	65,000	64,594	406
Total Street Lighting	<u>65,000</u>	<u>65,000</u>	<u>64,594</u>	<u>406</u>
Total Security of Persons and Property	<u>2,950,210</u>	<u>3,049,652</u>	<u>2,894,724</u>	<u>154,928</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	55,000	55,000	52,500	2,500
Total Public Health and Welfare Services	<u>55,000</u>	<u>55,000</u>	<u>52,500</u>	<u>2,500</u>
Leisure Time Activities:				
Parks:				
Personal Services	484,395	484,395	449,983	34,412
Materials and Supplies	72,637	72,637	48,100	24,537
Contractual Services	355,028	361,789	263,575	98,214
Other Expenditures	4,500	4,500	600	3,900
Capital Outlay	94,800	94,800	28,637	66,163
Total Leisure Time Activities	<u>1,011,360</u>	<u>1,018,121</u>	<u>790,895</u>	<u>227,226</u>
Community Environment:				
Planning and Zoning:				
Personal Services	133,068	133,068	126,317	6,751
Materials and Supplies	3,559	3,559	2,531	1,028
Contractual Services	147,589	147,589	140,448	7,141
Other Expenditures	250	250	186	64
Capital Outlay	20,000	20,000	0	20,000
Total Community Environment	<u>304,466</u>	<u>304,466</u>	<u>269,482</u>	<u>34,984</u>
General Government:				
Mayor:				
Personal Services	72,981	72,981	71,743	1,238
Materials and Supplies	500	500	288	212
Contractual Services	3,500	3,500	1,469	2,031
Total Mayor	<u>76,981</u>	<u>76,981</u>	<u>73,500</u>	<u>3,481</u>
City Council:				
Personal Services	37,800	37,800	37,800	0
Materials and Supplies	250	250	0	250
Contractual Services	1,500	1,500	114	1,386
Total City Council	<u>39,550</u>	<u>39,550</u>	<u>37,914</u>	<u>1,636</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	104,277	104,277	102,053	2,224
Contractual Services	44,500	44,500	42,214	2,286
Total Law Director	148,777	148,777	144,267	4,510
Clerk of Council:				
Personal Services	35,933	35,933	35,703	230
Materials and Supplies	300	300	96	204
Capital Outlay	500	500	0	500
Total Clerk of Council	36,733	36,733	35,799	934
Auditor:				
Personal Services	42,500	42,500	42,500	0
Materials and Supplies	600	600	39	561
Contractual Services	1,650	2,400	668	1,732
Total Auditor	44,750	45,500	43,207	2,293
General Administrative:				
Personal Services	226,748	226,748	212,626	14,122
Materials and Supplies	11,000	11,000	5,679	5,321
Contractual Services	235,267	252,167	235,396	16,771
Capital Outlay	3,000	3,000	0	3,000
Total General Administrative	476,015	492,915	453,701	39,214
Court Fees:				
Contractual Services	26,650	39,150	15,661	23,489
Total Court Fees	26,650	39,150	15,661	23,489
Civil Service:				
Contractual Services	11,350	21,350	16,197	5,153
Total Civil Service	11,350	21,350	16,197	5,153

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Safety/Service:				
Personal Services	63,088	63,109	61,683	1,426
Materials and Supplies	15,529	15,529	10,338	5,191
Contractual Services	83,292	83,292	55,908	27,384
Capital Outlay	17,500	17,500	5,759	11,741
Total Safety/Service	179,409	179,430	133,688	45,742
Income Tax:				
Personal Services	235,732	235,711	228,667	7,044
Materials and Supplies	16,972	16,972	15,438	1,534
Contractual Services	14,736	15,486	11,066	4,420
Capital Outlay	250	250	250	0
Total Income Tax	267,690	268,419	255,421	12,998
Total General Government	1,307,905	1,348,805	1,209,355	139,450
Total Expenditures	5,628,941	5,776,044	5,216,956	559,088
Excess (Deficiency) of Revenues Over (Under) Expenditures	(889,587)	(68,456)	732,797	801,253
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	0	33,746	33,746
Transfers Out	(709,500)	(718,200)	(718,200)	0
Advances Out	0	(10,000)	(10,000)	0
Total Other Financing Sources (Uses)	(709,500)	(728,200)	(694,454)	33,746
Net Change in Fund Balance	(1,599,087)	(796,656)	38,343	834,999
Fund Balance at Beginning of Year	1,835,166	1,835,166	1,835,166	0
Prior Year Encumbrances	83,396	83,396	83,396	0
Fund Balance at End of Year	<u>\$ 319,475</u>	<u>\$ 1,121,906</u>	<u>\$ 1,956,905</u>	<u>\$ 834,999</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Funds
For the Year Ended December 31, 2003**

FIRE LEVY FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 501,044	\$ 495,333	\$ 495,816	\$ 483
Intergovernmental Revenues	57,867	49,758	54,980	5,222
Investment Earnings	10,000	1,595	1,786	191
All Other Revenues	<u>0</u>	<u>0</u>	<u>475</u>	<u>475</u>
Total Revenues	<u>568,911</u>	<u>546,686</u>	<u>553,057</u>	<u>6,371</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	427,296	501,396	462,532	38,864
Materials and Supplies	8,000	8,000	3,112	4,888
Contractual Services	13,650	13,650	9,090	4,560
Capital Outlay	<u>365,755</u>	<u>345,655</u>	<u>315,028</u>	<u>30,627</u>
Total Expenditures	<u>814,701</u>	<u>868,701</u>	<u>789,762</u>	<u>78,939</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(245,790)	(322,015)	(236,705)	85,310
Other Financing Sources (Uses):				
Advances Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>0</u>
Net Change in Fund Balance	(295,790)	(372,015)	(286,705)	85,310
Fund Balance at Beginning of Year	248,729	248,729	248,729	0
Prior Year Encumbrances	<u>224,826</u>	<u>224,826</u>	<u>224,826</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 177,765</u>	<u>\$ 101,540</u>	<u>\$ 186,850</u>	<u>\$ 85,310</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Funds
For the Year Ended December 31, 2003**

CAPITAL IMPROVEMENT FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 208,000	\$ 170,261	\$ (37,739)
All Other Revenues	0	38,068	38,068
Total Revenues	<u>208,000</u>	<u>208,329</u>	<u>329</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Capital Outlay	2,544	0	2,544
Total Security of Persons and Property	<u>2,544</u>	<u>0</u>	<u>2,544</u>
Leisure Time Activities:			
Parks:			
Contractual Services	43,235	43,236	(1)
Capital Outlay	97,746	42,696	55,050
Total Parks	<u>140,981</u>	<u>85,932</u>	<u>55,049</u>
Swimming Pool:			
Capital Outlay	980	980	0
Total Swimming Pool	<u>980</u>	<u>980</u>	<u>0</u>
Total Leisure Time Activities	<u>141,961</u>	<u>86,912</u>	<u>55,049</u>
Basic Utility Services:			
Water:			
Contractual Services	4,346	4,346	0
Capital Outlay	139,957	139,957	0
Total Water	<u>144,303</u>	<u>144,303</u>	<u>0</u>
Sewer:			
Contractual Services	14,500	14,500	0
Capital Outlay	605,211	605,211	0
Total Sewer	<u>619,711</u>	<u>619,711</u>	<u>0</u>
Total Basic Utility Services	<u>764,014</u>	<u>764,014</u>	<u>0</u>

(Continued)

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Funds
For the Year Ended December 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Transportation:			
Streets Department:			
Contractual Services	177,810	177,810	0
Capital Outlay	<u>1,527,784</u>	<u>1,417,864</u>	<u>109,920</u>
Total Transportation	<u>1,705,594</u>	<u>1,595,674</u>	<u>109,920</u>
Total Expenditures	<u>2,614,113</u>	<u>2,446,600</u>	<u>167,513</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,406,113)	(2,238,271)	167,842
Other Financing Sources (Uses):			
Transfers Out	(1,066,591)	(1,066,591)	0
Advances In	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(1,016,591)</u>	<u>(1,016,591)</u>	<u>0</u>
Net Change in Fund Balance	(3,422,704)	(3,254,862)	167,842
Fund Balance at Beginning of Year	3,403,307	3,403,307	0
Prior Year Encumbrances	<u>480,357</u>	<u>480,357</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 460,960</u>	<u>\$ 628,802</u>	<u>\$ 167,842</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 284,200	\$ 294,427	\$ 10,227
All Other Revenues	2,000	1,344	(656)
Total Revenues	<u>286,200</u>	<u>295,771</u>	<u>9,571</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	566,960	520,605	46,355
Materials and Supplies	152,189	126,796	25,393
Contractual Services	93,012	52,041	40,971
Capital Outlay	10,245	4,704	5,541
Total Transportation	<u>822,406</u>	<u>704,146</u>	<u>118,260</u>
Debt Service:			
Principal Retirement	42,928	42,928	0
Interest and Fiscal Charges	6,835	6,835	0
Total Expenditures	<u>872,169</u>	<u>753,909</u>	<u>118,260</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(585,969)	(458,138)	127,831
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	0	125	125
Transfers In	490,000	490,000	0
Total Other Financing Sources (Uses)	<u>490,000</u>	<u>490,125</u>	<u>125</u>
Net Change in Fund Balance	(95,969)	31,987	127,956
Fund Balance at Beginning of Year	269,438	269,438	0
Prior Year Encumbrances	3,909	3,909	0
Fund Balance at End of Year	<u>\$ 177,378</u>	<u>\$ 305,334</u>	<u>\$ 127,956</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 21,500	\$ 23,872	\$ 2,372
All Other Revenues	0	18	18
Total Revenues	<u>21,500</u>	<u>23,890</u>	<u>2,390</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	18,000	8,773	9,227
Contractual Services	7,100	6,500	600
Capital Outlay	<u>125,000</u>	<u>125,000</u>	<u>0</u>
Total Expenditures	<u>150,100</u>	<u>140,273</u>	<u>9,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(128,600)	(116,383)	12,217
Fund Balance at Beginning of Year	<u>130,794</u>	<u>130,794</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,194</u>	<u>\$ 14,411</u>	<u>\$ 12,217</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Transportation:			
Street Department:			
Capital Outlay	<u>115,475</u>	<u>115,475</u>	<u>0</u>
Total Expenditures	<u>115,475</u>	<u>115,475</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,475)	(115,475)	0
Fund Balance at Beginning of Year	12,166	12,166	0
Prior Year Encumbrances	<u>108,810</u>	<u>108,810</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,501</u>	<u>\$ 5,501</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SWIMMING POOL FUND			
Revenues:			
Charges for Services	\$ 500,750	\$ 504,247	\$ 3,497
All Other Revenues	4,000	1,988	(2,012)
Total Revenues	<u>504,750</u>	<u>506,235</u>	<u>1,485</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	187,630	187,254	376
Materials and Supplies	75,000	71,684	3,316
Contractual Services	113,390	112,184	1,206
Capital Outlay	250,670	250,369	301
Total Leisure Time Activities	<u>626,690</u>	<u>621,491</u>	<u>5,199</u>
Debt Service:			
Principal Retirement	65,000	65,000	0
Interest and Fiscal Charges	88,042	88,042	0
Total Expenditures	<u>779,732</u>	<u>774,533</u>	<u>5,199</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(274,982)	(268,298)	6,684
Other Financing Sources (Uses):			
Advances In	10,000	10,000	0
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Net Change in Fund Balance	(264,982)	(258,298)	6,684
Fund Balance at Beginning of Year	264,698	264,698	0
Prior Year Encumbrances	2,070	2,070	0
Fund Balance at End of Year	<u>\$ 1,786</u>	<u>\$ 8,470</u>	<u>\$ 6,684</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 69,310	\$ 69,393	\$ 83
Intergovernmental Revenues	7,411	7,907	496
Total Revenues	<u>76,721</u>	<u>77,300</u>	<u>579</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	176,180	176,180	0
Contractual Services	2,020	1,260	760
Total Expenditures	<u>178,200</u>	<u>177,440</u>	<u>760</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(101,479)	(100,140)	1,339
Other Financing Sources (Uses):			
Transfers In	101,500	101,500	0
Total Other Financing Sources (Uses)	<u>101,500</u>	<u>101,500</u>	<u>0</u>
Net Change in Fund Balance	21	1,360	1,339
Fund Balance at Beginning of Year	<u>3,340</u>	<u>3,340</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,361</u>	<u>\$ 4,700</u>	<u>\$ 1,339</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 69,310	\$ 69,393	\$ 83
Intergovernmental Revenues	7,411	7,907	496
Total Revenues	<u>76,721</u>	<u>77,300</u>	<u>579</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	200,990	200,987	3
Contractual Services	<u>2,020</u>	<u>1,259</u>	<u>761</u>
Total Expenditures	<u>203,010</u>	<u>202,246</u>	<u>764</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(126,289)	(124,946)	1,343
Other Financing Sources (Uses):			
Transfers In	<u>126,700</u>	<u>126,700</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>126,700</u>	<u>126,700</u>	<u>0</u>
Net Change in Fund Balance	411	1,754	1,343
Fund Balance at Beginning of Year	<u>2,871</u>	<u>2,871</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,282</u>	<u>\$ 4,625</u>	<u>\$ 1,343</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
LAW ENFORCEMENT TRUST FUND			
Revenues:			
Fines and Forfeitures	\$ 11,618	\$ 11,048	\$ (570)
All Other Revenues	5,000	6,600	1,600
Total Revenues	<u>16,618</u>	<u>17,648</u>	<u>1,030</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	500	192	308
Contractual Services	27,000	13,002	13,998
Other Expenditures	1,272	1,272	0
Capital Outlay	3,000	497	2,503
Total Expenditures	<u>31,772</u>	<u>14,963</u>	<u>16,809</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,154)	2,685	17,839
Fund Balance at Beginning of Year	36,017	36,017	0
Prior Year Encumbrances	500	500	0
Fund Balance at End of Year	<u>\$ 21,363</u>	<u>\$ 39,202</u>	<u>\$ 17,839</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 10,000	\$ 10,000	\$ 0
Fines and Forfeitures	1,500	1,511	11
Total Revenues	<u>11,500</u>	<u>11,511</u>	<u>11</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	10,500	916	9,584
Capital Outlay	500	0	500
Total Expenditures	<u>11,000</u>	<u>916</u>	<u>10,084</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	500	10,595	10,095
Fund Balance at Beginning of Year	<u>11,493</u>	<u>11,493</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 11,993</u>	<u>\$ 22,088</u>	<u>\$ 10,095</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	D.A.R.E. FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Fines and Forfeitures	\$ 170	\$ 173	\$ 3
All Other Revenues	2,340	2,838	498
Total Revenues	<u>2,510</u>	<u>3,011</u>	<u>501</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	2,597	2,381	216
Contractual Services	<u>2,501</u>	<u>1,890</u>	<u>611</u>
Total Expenditures	<u>5,098</u>	<u>4,271</u>	<u>827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,588)	(1,260)	1,328
Fund Balance at Beginning of Year	12,287	12,287	0
Prior Year Encumbrances	<u>97</u>	<u>97</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,796</u>	<u>\$ 11,124</u>	<u>\$ 1,328</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2003***

GENERAL OBLIGATION DEBT SERVICE FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 240,000	\$ 247,403	\$ 7,403
Total Revenues	<u>240,000</u>	<u>247,403</u>	<u>7,403</u>
Expenditures:			
General Government:			
Contractual Services	31,239	31,239	0
Total General Government	<u>31,239</u>	<u>31,239</u>	<u>0</u>
Debt Service:			
Principal Retirement	2,270,000	2,270,000	0
Interest and Fiscal Charges	<u>147,347</u>	<u>143,586</u>	<u>3,761</u>
Total Expenditures	<u>2,448,586</u>	<u>2,444,825</u>	<u>3,761</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,208,586)	(2,197,422)	11,164
Other Financing Sources (Uses):			
General Obligation Bonds Issued	<u>2,035,000</u>	<u>2,035,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>2,035,000</u>	<u>2,035,000</u>	<u>0</u>
Net Change in Fund Balance	(173,586)	(162,422)	11,164
Fund Balance at Beginning of Year	<u>895,960</u>	<u>895,960</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 722,374</u>	<u>\$ 733,538</u>	<u>\$ 11,164</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	494,000	494,000	0
Total Expenditures	<u>494,000</u>	<u>494,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(494,000)	(494,000)	0
Other Financing Sources (Uses):			
Transfers In	494,000	494,000	0
Total Other Financing Sources (Uses)	<u>494,000</u>	<u>494,000</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003**

FORRY PRESERVE FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 23,578	\$ 23,578	\$ 0
Total Revenues	<u>23,578</u>	<u>23,578</u>	<u>0</u>
Expenditures:			
Leisure Time Activities:			
Parks:			
Contractual Services	<u>26,332</u>	<u>26,332</u>	<u>0</u>
Total Expenditures	<u>26,332</u>	<u>26,332</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,754)	(2,754)	0
Fund Balance at Beginning of Year	344,868	344,868	0
Prior Year Encumbrances	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 362,114</u>	<u>\$ 362,114</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 0	\$ 201,804	\$ 201,804
Total Revenues	<u>0</u>	<u>201,804</u>	<u>201,804</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	<u>572,591</u>	<u>572,591</u>	<u>0</u>
Total Expenditures	<u>572,591</u>	<u>572,591</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(572,591)	(370,787)	201,804
Other Financing Sources (Uses):			
Transfers In	<u>572,591</u>	<u>572,591</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>572,591</u>	<u>572,591</u>	<u>0</u>
Net Change in Fund Balance	0	201,804	201,804
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 201,804</u>	<u>\$ 201,804</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2003**

	CONN MEMORIAL TRUST		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Charges for Services	\$ 1,500	\$ 1,880	\$ 380
Investment Earnings	<u>1,000</u>	<u>699</u>	<u>(301)</u>
Total Revenues	<u>2,500</u>	<u>2,579</u>	<u>79</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,500	2,579	79
Fund Balance at Beginning of Year	<u>85,168</u>	<u>85,168</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 87,668</u>	<u>\$ 87,747</u>	<u>\$ 79</u>



*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF HEATH, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2003***

<u>Capital Assets:</u>	
Land	\$5,710,931
Construction in Progress	26,700
Buildings	4,759,198
Improvements Other Than Buildings	2,807,348
Machinery and Equipment	6,094,911
Infrastructure	11,171,863
Total Capital Assets	<u>\$30,570,951</u>
<u>Investment in Capital Assets:</u>	
Assets Acquired Prior to 1990	\$161,599
General Fund	1,516,916
Special Revenue Funds	2,778,761
Capital Projects Funds	24,591,077
Proprietary Funds	11,922
Fiduciary Funds	23,507
Grants	445,000
Donations	1,042,169
Total Investment in Capital Assets	<u>\$30,570,951</u>

CITY OF HEATH, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2003***

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>
<u>General Government:</u>			
Mayor	\$0	\$0	\$0
City Council	0	0	0
Clerk of Council	0	0	0
City Auditor	0	0	0
General Administration	258,188	0	762,040
Safety/Service	0	0	20,125
Income Tax	0	0	0
Total General Government	<u>258,188</u>	<u>0</u>	<u>782,165</u>
<u>Security of Persons and Property:</u>			
Police	0	0	20,000
Communications	0	0	0
Fire	39,890	0	1,983,545
Occupational Safety and Health Administration	0	0	0
Total Security of Persons and Property	<u>39,890</u>	<u>0</u>	<u>2,003,545</u>
<u>Transportation:</u>			
Streets	<u>4,700,147</u>	<u>0</u>	<u>294,622</u>
<u>Community Environment:</u>			
Zoning	<u>0</u>	<u>0</u>	<u>0</u>
<u>Leisure Time Activities:</u>			
Parks	712,706	26,700	1,122,304
Swimming Pool	0	0	556,562
Total Leisure Time Activities	<u>712,706</u>	<u>26,700</u>	<u>1,678,866</u>
Total Capital Assets	<u>\$5,710,931</u>	<u>\$26,700</u>	<u>\$4,759,198</u>

CITY OF HEATH, OHIO

<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$0	\$3,849	\$0	\$3,849
0	9,770	0	9,770
0	3,827	0	3,827
0	1,948	0	1,948
19,179	66,148	0	1,105,555
1,952	12,109	0	34,186
0	20,617	0	20,617
<u>21,131</u>	<u>118,268</u>	<u>0</u>	<u>1,179,752</u>
4,013	725,674	0	749,687
40,287	28,260	0	68,547
15,467	3,021,036	0	5,059,938
0	5,650	0	5,650
<u>59,767</u>	<u>3,780,620</u>	<u>0</u>	<u>5,883,822</u>
<u>6,879</u>	<u>1,410,520</u>	<u>11,171,863</u>	<u>17,584,031</u>
<u>7,250</u>	<u>235,933</u>	<u>0</u>	<u>243,183</u>
652,524	442,829	0	2,957,063
<u>2,059,797</u>	<u>106,741</u>	<u>0</u>	<u>2,723,100</u>
<u>2,712,321</u>	<u>549,570</u>	<u>0</u>	<u>5,680,163</u>
<u>\$2,807,348</u>	<u>\$6,094,911</u>	<u>\$11,171,863</u>	<u>\$30,570,951</u>

CITY OF HEATH, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2003**

Function and Activity	December 31, 2002	Additions	Deletions	December 31, 2003
<u>General Government:</u>				
Mayor	\$3,849	\$0	\$0	\$3,849
City Council	9,770	0	0	9,770
Clerk of Council	3,827	0	0	3,827
City Auditor	1,948	0	0	1,948
General Administration	1,107,062	0	(1,507)	1,105,555
Safety/Service	29,661	4,525	0	34,186
Income Tax	20,617	0	0	20,617
Total General Government	<u>1,176,734</u>	<u>4,525</u>	<u>(1,507)</u>	<u>1,179,752</u>
<u>Security of Persons and Property:</u>				
Police	886,330	0	(136,643)	749,687
Communications	68,547	0	0	68,547
Fire	4,317,109	907,813	(164,984)	5,059,938
Occupational Safety and Health Administration	<u>5,650</u>	<u>0</u>	<u>0</u>	<u>5,650</u>
Total Security of Persons and Property	<u>5,277,636</u>	<u>907,813</u>	<u>(301,627)</u>	<u>5,883,822</u>
<u>Transportation:</u>				
Streets	<u>17,362,870</u>	<u>219,521</u>	<u>1,640</u>	<u>17,584,031</u>
<u>Community Environment:</u>				
Zoning	<u>243,183</u>	<u>7,250</u>	<u>(7,250)</u>	<u>243,183</u>
<u>Leisure Time Activities:</u>				
Parks	2,935,687	49,535	(28,159)	2,957,063
Swimming Pool	<u>2,701,125</u>	<u>21,975</u>	<u>0</u>	<u>2,723,100</u>
Total Leisure Time Activities	<u>5,636,812</u>	<u>71,510</u>	<u>(28,159)</u>	<u>5,680,163</u>
Total Capital Assets	<u>\$29,697,235</u>	<u>\$1,210,619</u>	<u>(\$336,903)</u>	<u>\$30,570,951</u>

STATISTICAL SECTION



CITY OF HEATH

STATISTICAL TABLES

***T**HE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.*

CITY OF HEATH, OHIO

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN YEARS**

<u>Year</u>	<u>Security of Persons and Property</u>	<u>Public Health and Welfare</u>	<u>Leisure Time Activities</u>	<u>Community Environment</u>	<u>Trans- portation</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Total</u>
1994	\$2,000,115	\$45,760	\$305,639	\$328,297	\$603,370	\$766,084	\$294,125	\$4,343,390
1995	2,141,431	45,760	347,325	376,269	619,462	756,426	290,610	4,577,283
1996	2,580,118	45,760	394,204	825,147	841,664	835,845	286,695	5,809,433
1997	2,681,078	50,000	501,275	266,905	876,121	848,761	292,098	5,516,238
1998	2,802,266	52,500	586,585	247,784	666,636	930,280	355,686	5,641,737
1999	3,258,024	52,500	680,463	247,051	737,225	1,084,927	429,995	6,490,185
2000	3,000,081	52,500	809,551	641,264	764,587	925,951	399,940	6,593,874
2001	3,581,192	52,500	846,329	511,615	795,913	1,094,494	406,634	7,288,677
2002	4,529,031	52,500	1,227,590	297,688	722,310	1,207,949	473,065	8,510,133
2003	4,069,038	52,500	1,384,323	255,327	919,603	1,212,168	580,491	8,473,450

(1) Includes General Fund, Special Revenue Funds and Debt Service Fund
Source: City Auditor's Office

CITY OF HEATH, OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN YEARS**

Year	Taxes	Inter-Governmental Revenues	Charges for Services	Licenses and Permits	Investment Earnings	Fines and Forfeitures	All Other	Total
1994	\$3,240,900	\$894,922	\$118,782	\$22,560	\$431,762	\$79,522	\$45,633	\$4,834,081
1995	3,094,227	980,797	150,359	38,173	713,420	79,777	89,021	5,145,774
1996	2,301,871	1,062,861	138,505	37,033	788,452	69,027	47,692	4,445,441
1997	3,785,963	888,601	133,188	36,765	1,005,559	55,242	34,525	5,939,843
1998	4,083,854	1,047,818	200,654	42,960	828,193	54,447	234,571	6,492,497
1999	4,420,579	1,345,588	320,045	40,999	696,334	37,983	53,847	6,915,375
2000	4,467,791	955,037	314,930	63,897	863,545	47,028	207,067	6,919,295
2001	4,513,910	926,760	305,467	23,865	551,748	55,211	137,024	6,513,985
2002	4,580,012	944,005	679,393	23,861	231,096	50,156	114,070	6,622,593
2003	5,990,306	995,095	652,948	23,933	122,963	36,068	31,674	7,852,987

(1) Includes General Fund, Special Revenue Funds and Debt Service Fund
Source: City Auditor's Office

CITY OF HEATH, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1994	\$515,649	\$428,633	\$56,686	\$485,319	94.12%	\$30,329	5.88%
1995	521,518	479,489	25,236	504,725	96.78%	16,793	3.22%
1996	740,748	689,389	16,042	705,431	95.23%	35,318	4.77%
1997	781,634	730,609	16,878	747,487	95.63%	34,147	4.37%
1998	1,155,640	988,251	17,138	1,005,389	87.00%	150,251	13.00%
1999	1,276,845	1,074,499	144,908	1,219,407	95.50%	57,438	4.50%
2000	1,283,598	1,171,988	19,201	1,191,189	92.80%	92,409	7.20%
2001	1,329,993	1,203,581	24,753	1,228,334	92.36%	101,659	7.64%
2002	1,323,199	1,166,236	37,618	1,203,854	90.98%	119,345	9.02%
2003	1,376,907	1,254,313	21,018	1,275,331	92.62%	101,575	7.38%

Source: Licking County Auditor

**TANGIBLE TAX COLLECTED
LAST TEN YEARS**

<u>Year Paid</u>	<u>Amount</u>
1994	\$200,171
1995	192,444
1996	201,529
1997	202,543
1998	212,459
1999	369,213
2000	274,773
2001	266,993
2002	238,662
2003	249,296

CITY OF HEATH, OHIO

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS**

Tax Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1994	\$112,527,140	\$321,506,114	\$8,106,050	\$25,331,406	\$49,546,930	\$198,187,720	\$170,180,120	\$545,025,241	31.22%
1995	117,540,590	335,830,257	7,790,680	24,345,875	48,733,160	194,932,640	174,064,430	555,108,772	31.36%
1996	132,745,180	379,271,943	7,567,020	23,646,938	52,229,560	208,918,240	192,541,760	611,837,120	31.47%
1997	139,212,120	397,748,914	7,270,790	22,721,219	51,962,740	207,850,960	198,445,650	628,321,093	31.58%
1998	150,111,450	428,889,857	7,857,140	24,553,563	53,498,260	213,993,040	211,466,850	667,436,460	31.68%
1999	176,197,990	503,422,829	7,319,020	22,871,938	50,234,250	200,937,000	233,751,260	727,231,766	32.14%
2000	179,921,790	514,062,257	7,519,920	23,499,750	49,286,700	197,146,800	236,728,410	734,708,807	32.22%
2001	187,391,420	535,404,057	6,095,110	19,047,219	51,462,020	205,848,080	244,948,550	760,299,356	32.22%
2002	204,992,840	585,693,829	6,181,220	19,316,313	44,561,240	178,244,960	255,735,300	783,255,101	32.65%
2003	207,346,080	592,417,371	6,026,210	18,831,906	41,122,950	164,491,800	254,495,240	775,741,078	32.81%

Source: Licking County Auditor

CITY OF HEATH, OHIO

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATIONS)
LAST TEN YEARS**

Collection Year	City of Heath					Heath City School District	Licking County Joint Vocational School District	Lakewood Local School District	Licking Valley Local School District	Granville Exempted Village School District	Licking County
	General Fund	Police Pension Fund	Fire Pension Fund	Fire Levy Fund	Total City						
1994	2.30	0.30	0.30	1.00	3.90	38.90	2.00	38.80	30.90	62.50	7.20
1995	2.30	0.30	0.30	1.00	3.90	40.10	2.00	38.80	30.90	66.00	6.70
1996	2.30	0.30	0.30	1.00	3.90	40.10	2.00	38.80	30.90	69.70	7.20
1997	2.30	0.30	0.30	2.50	5.40	43.10	2.00	38.80	30.90	69.50	7.20
1998	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.50	39.70	69.10	7.20
1999	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.11	38.90	69.00	7.20
2000	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.11	38.90	69.00	7.20
2001	2.30	0.30	0.30	2.50	5.40	48.22	2.00	41.96	38.38	73.49	7.20
2002	2.30	0.30	0.30	2.50	5.40	50.52	3.00	41.75	37.18	73.49	7.20
2003	2.30	0.30	0.30	2.50	5.40	50.10	2.80	47.55	37.00	81.19	7.20

Source: Licking County Auditor
Licking County Treasurer

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2003**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$254,495,240	\$254,495,240
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	26,722,000	13,997,238
Applicable City Debt Outstanding (2)	5,775,000	5,775,000
Less: Applicable Debt Service Fund Amounts	(757,865)	(757,865)
Net Indebtedness Subject to Limitation	<u>5,017,135</u>	<u>5,017,135</u>
Legal Debt Margin	<u><u>\$21,704,865</u></u>	<u><u>\$8,980,103</u></u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code

(2) City Debt Outstanding Includes Non Self-Supporting General Obligation Bonds Only
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin

CITY OF HEATH, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1994	a 7,500	\$170,180,120	\$1,930,000	\$5,378	\$1,924,622	1.13%	\$256.62
1995	a 7,650	174,064,430	1,770,000	5,378	1,764,622	1.01%	230.67
1996	a 8,000	192,541,760	1,605,000	55,383	1,549,617	0.80%	193.70
1997	a 8,100	198,445,650	1,425,000	405,909	1,019,091	0.51%	125.81
1998	a 8,100	211,466,850	3,240,000	460,635	2,779,365	1.31%	343.13
1999	a 8,100	233,751,260	2,950,000	576,752	2,373,248	1.02%	292.99
2000	b 8,527	236,728,410	2,715,000	730,272	1,984,728	0.84%	232.76
2001	b 8,527	244,948,550	2,475,000	839,512	1,635,488	0.67%	191.80
2002	b 8,527	255,735,300	4,075,000	955,128	3,119,872	1.22%	365.88
2003	b 8,527	254,495,240	5,775,000	757,865	5,017,135	1.97%	588.38

Source:

- (1) U.S. Bureau of Census of Population - (a) Estimated
- (b) U.S. Bureau of Census, Federal 2000 Census

(2) Licking County Auditor

(3) Includes all general obligation bonded debt supported by property taxes

CITY OF HEATH, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**

<u>Year</u>	<u>Debt Principal</u>	<u>Debt Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Tax Debt Service to General Governmental Expenditures</u>
1994	\$155,000	\$138,660	\$293,660	\$4,343,390	6.76%
1995	160,000	130,610	290,610	4,577,283	6.35%
1996	165,000	121,695	286,695	5,809,433	4.93%
1997	180,000	112,098	292,098	5,516,238	5.30%
1998	1,505,000	150,686	1,655,686	6,941,737	23.85%
1999	290,000	139,995	429,995	6,490,185	6.63%
2000	235,000	128,260	363,260	6,593,874	5.51%
2001	240,000	118,977	358,977	7,288,677	4.93%
2002	250,000	131,388	381,388	8,510,133	4.48%
2003	335,000	195,728	530,728	8,473,450	6.26%

CITY OF HEATH, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2003**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Heath</u>	<u>Amount Applicable to City of Heath</u>
Direct			
City of Heath	\$5,017,135	100.00%	\$5,017,135
Overlapping Subdivisions			
Heath City School District	525,000	95.16%	499,590
Licking County	14,922,459	8.07%	<u>1,204,242</u>
			Subtotal <u>1,703,832</u>
			Total <u><u>\$6,720,967</u></u>

Source: Licking County

CITY OF HEATH, OHIO

DEMOGRAPHIC STATISTICS LAST TEN YEARS

<u>Year</u>		<u>City of Heath Population (1)</u>		<u>Licking County Population (1)</u>	<u>Unemployment Rate County Area (2)</u>	<u>School Enrollment (3)</u>
1994	a	7,500		128,300	4.8%	1,322
1995	a	7,650		128,300	5.1%	1,390
1996	a	8,000		128,300	3.9%	1,397
1997	a	8,100	c	137,500	3.8%	1,468
1998	a	8,100	c	135,800	3.8%	1,531
1999	a	8,100	c	135,800	3.6%	1,546
2000	b	8,527	b	145,491	3.5%	1,568
2001	b	8,527	b	145,491	3.6%	1,616
2002	b	8,527	b	145,491	4.7%	1,619
2003	b	8,527	c	148,731	6.0%	1,603

Source: (1) U.S. Bureau of Census of Population - (a) Estimated;
(b) Federal 2000 Census; (c) Chamber of Commerce

(2) Ohio Department of Job and Family Services

(3) Heath City School District, Board of Education

**PROPERTY VALUE AND CONSTRUCTION PERMITS
LAST TEN YEARS**

Year	Residential		Commercial	
	Number of Permits	Property Value	Number of Permits	Property Value
1994	56	\$6,245,628	5	\$6,587,000
1995	53	6,655,138	6	779,286
1996	45	7,037,765	10	5,310,100
1997	28	4,646,240	7	3,645,000
1998	43	5,738,269	15	8,315,306
1999	56	8,326,708	10	8,827,000
2000	49	7,063,709	13	15,440,000
2001	34	5,118,088	9	2,436,000
2002	35	5,414,235	16	12,726,221
2003	131	9,321,805	11	6,247,450

Source: City of Heath Building Department

CITY OF HEATH, OHIO

**PRINCIPAL TAXPAYERS (PROPERTY TAX)
DECEMBER 31, 2003**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	Glimcher Properties Limited Partnership	Shopping Mall	\$16,687,060	6.56%
2	Rockwell/Meritor Heavy Vehicle System	Manufacturer	11,926,930	4.69%
3	Kaiser Aluminum and Chemical Corporation	Aluminum Processing	6,924,800	2.72%
4	Southgate Association Ltd Partnership	Shopping Center	5,388,020	2.12%
5	Lowes	Retail - Home Improvement	5,191,850	2.04%
6	Cross Creek Ltd Partnership	Shopping Center	3,651,590	1.43%
7	Ohio Power Co.	Utility Company - Electric	3,294,070	1.29%
8	Heathwood Village Limited Partnership	Real Estate - Leasing	3,097,820	1.22%
9	Heath-Newark-Licking County Port Authority	Real Estate - Leasing	2,730,950	1.07%
10	Alltel Ohio, Inc.	Utility Company - Telephone	2,240,420	0.88%
		Sub-Total	61,133,510	24.02%
		All Others	193,361,730	75.98%
		Total	\$254,495,240	100.00%

Based on valuation of property taxes assessed in 2003
Source: Licking County Auditor - Land and Buildings

CITY OF HEATH, OHIO

**PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2003**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Amount of Tax Paid in 2003</u>	<u>Percentage of Total Tax Paid in 2003</u>
1	Central Ohio Aerospace & Technology Center	Manufacturing	\$760,623	15.72%
2	Arvin/Meritor/Rockwell	Manufacturing	418,981	8.66%
3	Kaiser Aluminum and Chemical Corporation	Manufacturing	161,612	3.35%
4	Mathews Ford	Automobile Sales and Service	154,959	3.20%
5	Lowes	Retail - Home Improvement	144,403	2.98%
6	Heath City Schools	Education	99,817	2.06%
7	CHS Ohio Valley Inc.	Nursing Home	94,253	1.95%
8	Englefield Oil	Petroleum Products	83,912	1.73%
9	JHL Automotive	Automobile Sales and Service	76,511	1.58%
10	City of Heath	Government	70,142	1.45%
		Sub-Total	2,065,213	42.68%
		All Others	2,773,866	57.32%
		Total	<u>\$4,839,079</u>	<u>100.00%</u>

Source: Heath City Auditor

CITY OF HEATH, OHIO

PRINCIPAL EMPLOYERS DECEMBER 31, 2003

	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Total</u>
1	Central Ohio Aerospace and Technology Center	Manufacturing	940	0	940
2	Arvin/Meritor/Rockwell	Manufacturing	606	0	606
3	Kaiser Aluminum and Chemical Corporation	Manufacturing	253	0	253
4	Wal-Mart Stores	Retail Sales	178	63	241
5	Heath Nursing Home	Health Care	185	34	219
6	Krogers	Retail Grocery	123	72	195
7	Lowe's Home Center	Retail Sales	114	79	193
8	Englefield Oil	Petroleum Products	145	32	177
9	Heath City Schools	Education	166	0	166
10	Sears	Retail Sales	51	105	156

Source: City of Heath Income Tax Department

CITY OF HEATH, OHIO

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2003**

- 5 17 -

	Date of Incorporation		1952		
	Charter Adopted		1964		
	Form of Government		Council/Mayor		
Area (square miles)	10.6	Elementary Schools	2	Water System:	
Facilities and Services:		Kindergarten - 2nd grade	377	Number of Treatment Plants	1
Miles of Streets	87	3rd - 5th grades	377	Miles of Waterlines	67
Number of Street Lights	660	6th - 8th grades	409	Number of Fire Hydrants	620
Miles of Storm Sewers	52	Secondary Schools	1	Number of Service Connections	3,398
		9th -12th grades	440	Average Daily	
Police Services:		Heath Students Attending		Consumption (gallons)	1,200,000
Number of Stations	1	Licking County JVS (11th -12th grades	53	Maximum Daily Capacity	
Number of Uniformed Police Officers	18			of Plant (gallons)	4,000,000
Number Reserve Personnel	10	Recreation and Culture:			
Number of Patrol Units	8	Number of Parks	9	Sewerage System:	
Traffic Citations Issued	1,500	Park Area (acres)	358	Number of Treatment Plants	1
Physical Arrests	616	Number of Ball Fields:		Miles of Sanitary Sewers	96
		Lighted	4	Average Daily Treatment	1,300,000
Fire/Emergency Medical Services:		Unlighted	3	Maximum Daily Capacity	
Number of Stations	2	Number of Sand Volley Ball Courts:		of Treatment	1,750,000
Number of Full-time Personnel	16	Lighted	2	Peak Load per Day	7,000,000
Number of Part-time Personnel	19	Swimming Pool:			
Number of Volunteer		Lighted	1		
Fire/EMS Personnel	18	Vita Course - 2 mile	1		
Number of Calls Answered	1,705	Fitness and Recreation Center	1		
Number of Inspections	302	Riverfront Walkway - 1/2 mile	1		

Source: Heath City Auditor





**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

CITY OF HEATH

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2004**