



**Auditor of State
Betty Montgomery**

**CITY OF WHITEHALL
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

City of Whitehall
Franklin County
360 South Yearling Road
Whitehall, Ohio 43213

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio, as of December 31, 2005, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 19, 2006

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The management's discussion and analysis of the City of Whitehall's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net assets of the City increased \$624,678 or 3.69% compared to 2004.
- General revenues accounted for \$16,269,441 or 85.20% of total governmental activities revenue. Program specific revenues accounted for \$2,825,067 or 14.80% of total governmental activities revenue.
- The City had \$18,469,830 in expenses related to governmental activities; \$2,825,067 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$15,644,763 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$16,269,441.
- The General Fund had revenues and other financing sources of \$17,021,146 in 2005. This represents a decrease of \$114,961 from 2004 revenues. The expenditures and transfers out of the General Fund, which totaled \$17,125,013 in 2005, decreased \$1,115,698 from 2004. The net decrease in fund balance for the General Fund was \$103,867 or 2.38%.
- In the General Fund, the actual revenues and other financing sources came in \$202,317 lower than they were in the final budget and actual expenditures and other financing uses were \$2,530,877 less than the amount in the final budget. Budgeted expenditures and other financing uses decreased \$227,042 from the original to the final budget.
- The Community Development Fund had revenues of \$267,412 in 2005. This represents a decrease of \$905,191 from 2004 revenues. The expenditures of the Community Development Fund, which totaled \$484,460 in 2005, decreased \$819,646 from 2004. The net decrease in fund balance for the Community Development Fund was \$217,048 or 19.85%.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds, and fiduciary funds.

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental funds, which include the General Fund and Community Development Fund, begins on page 9.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the General Fund and Community Development Fund. Information for major funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements 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. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on page 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-48 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets provides the perspective of the City as a whole. The table below provides a summary of the City's net assets for 2005 compared to 2004.

	Net Assets	
	Governmental Activities	Governmental Activities
	2005	2004
<u>Assets</u>		
Current and other assets	\$ 11,520,222	\$ 11,177,832
Capital assets	<u>12,782,150</u>	<u>12,335,318</u>
Total assets	<u>24,302,372</u>	<u>23,513,150</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	4,345,867	4,554,470
Other liabilities	<u>2,416,497</u>	<u>2,043,350</u>
Total liabilities	<u>6,762,364</u>	<u>6,597,820</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	9,764,795	9,047,666
Restricted	5,526,294	3,846,546
Unrestricted	<u>2,248,919</u>	<u>4,021,118</u>
Total net assets	<u>\$ 17,540,008</u>	<u>\$ 16,915,330</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2005, the City's assets exceeded liabilities by \$17,540,008.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 52.60% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. At December 31, 2005, capital assets, net of related debt to acquire the assets, were \$9,764,795 in the Governmental Activities. These capital assets are used to provide services to citizens and are not available for future spending.

Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$5,526,294, represents resources that are subject to external restriction on how they may be used. In the Governmental Activities, the remaining balance of unrestricted net assets of \$2,248,919 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2005 and 2004.

	Change in Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
	<u>2005</u>	<u>2004</u>
Revenues		
Program revenues:		
Charges for services	\$ 982,077	\$ 1,390,791
Operating grants and contributions	1,637,053	1,470,628
Capital grants and contributions	<u>205,937</u>	<u>6,100</u>
Total program revenues	<u>2,825,067</u>	<u>2,867,519</u>
General revenues:		
Property and lodging taxes	539,109	415,399
Income taxes	13,210,790	13,634,700
Unrestricted grants and entitlements	1,764,876	2,084,739
Investment earnings	199,137	52,091
Miscellaneous	<u>555,529</u>	<u>555,182</u>
Total general revenues	<u>16,269,441</u>	<u>16,742,111</u>
Total revenues	<u>19,094,508</u>	<u>19,609,630</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

**Change in Net Assets
(Continued)**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Expenses		
General government	\$ 5,178,228	\$ 4,866,367
Security of persons and property	9,420,783	9,236,167
Public health and welfare	174,091	90,815
Transportation	1,414,103	1,502,820
Community environment	216,485	428,777
Leisure time activity	637,330	746,271
Utility services	1,254,862	1,285,658
Interest and fiscal charges	<u>173,948</u>	<u>186,222</u>
 Total expenses	 <u>18,469,830</u>	 <u>18,343,097</u>
 Change in net assets	 <u>624,678</u>	 <u>1,266,533</u>
 Net assets at beginning of year	 <u>16,915,330</u>	 <u>15,648,797</u>
 Net assets at end of year	 <u>\$ 17,540,008</u>	 <u>\$ 16,915,330</u>

Governmental Activities

Governmental Activities net assets increased \$624,678 in 2005. This increase is a result of the spending level being set below the sources of the income level.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$9,420,783 of the total expenses of the City. These expenses were partially funded by \$420,778 in direct charges to users of the services. Transportation expenses totaled \$1,414,103. Transportation expenses were fully funded by \$34,878 in direct charges to users of the services, \$1,313,084 in operating grants and contributions and \$205,937 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,637,053 in operating grants and contributions and \$205,937 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,313,084 subsidized transportation programs, and \$143,222 subsidized security of persons and property programs.

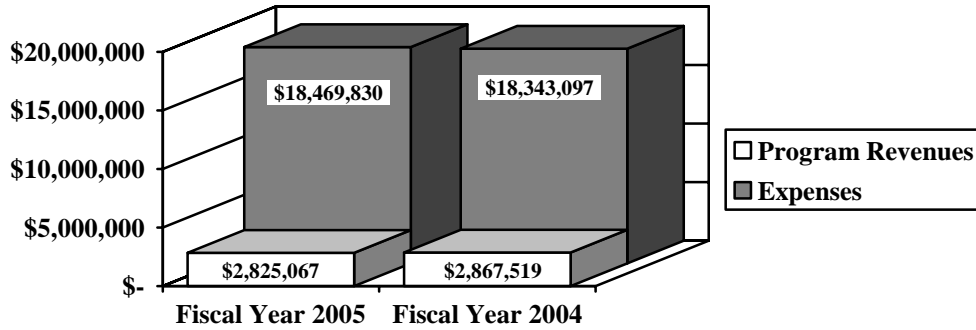
General revenues totaled \$16,269,441, and amounted to 85.20% of total governmental revenues. These revenues primarily consist of property, lodging, and income tax revenues of \$13,749,899. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,764,876.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for Governmental Activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph on the next page, the City is highly dependent upon property, lodging, and income taxes as well as unrestricted grants and entitlements to support its Governmental Activities.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

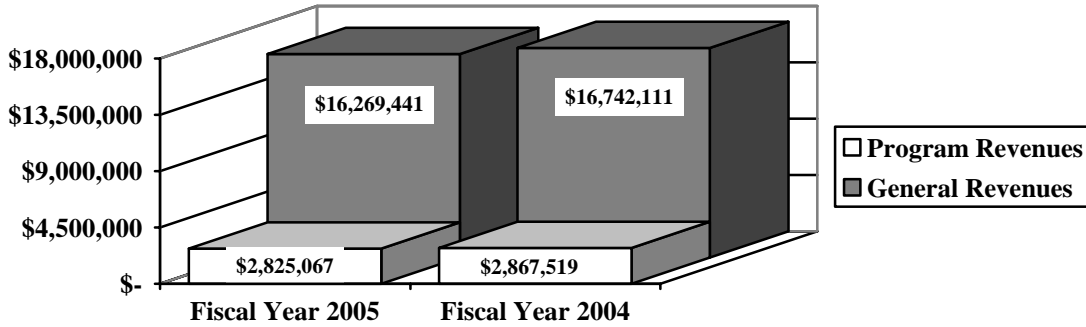
	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 5,178,228	\$ 4,766,646	\$ 4,866,367	\$ 4,496,909
Security of persons and property	9,420,783	8,856,783	9,236,167	8,242,422
Public health and welfare	174,091	94,752	90,815	90,815
Transportation	1,414,103	(139,796)	1,502,820	297,026
Community environment	216,485	151,221	428,777	324,632
Leisure time activity	637,330	486,347	746,271	551,894
Utility services	1,254,862	1,254,862	1,285,658	1,285,658
Interest and fiscal charges	173,948	173,948	186,222	186,222
Total	\$ 18,469,830	\$ 15,644,763	\$ 18,343,097	\$ 15,475,578

The dependence upon general revenues for Governmental Activities is apparent, with 84.70% of expenses supported through taxes and other general revenues.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Governmental Activities - General and Program Revenues



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net current resources available for spending at year-end.

The City's governmental funds (as presented on the Balance Sheet on page 17) reported a combined fund balance of \$8,127,223 which is \$397,990 higher last year's total of \$7,729,233. A prior period adjustment was made to properly state cash in the correct funds at the beginning of the year. See Note 3.B. to the basic financial statements for detail. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2005 for all major and nonmajor governmental funds.

	Fund Balances 12/31/05	Restated Fund Balances 12/31/04	Increase (Decrease)
Major funds:			
General	\$ 4,264,564	\$ 4,368,431	\$ (103,867)
Community Development	876,618	1,093,666	(217,048)
Other nonmajor governmental funds	<u>2,986,041</u>	<u>2,267,136</u>	<u>718,905</u>
Total	<u>\$ 8,127,223</u>	<u>\$ 7,729,233</u>	<u>\$ 397,990</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

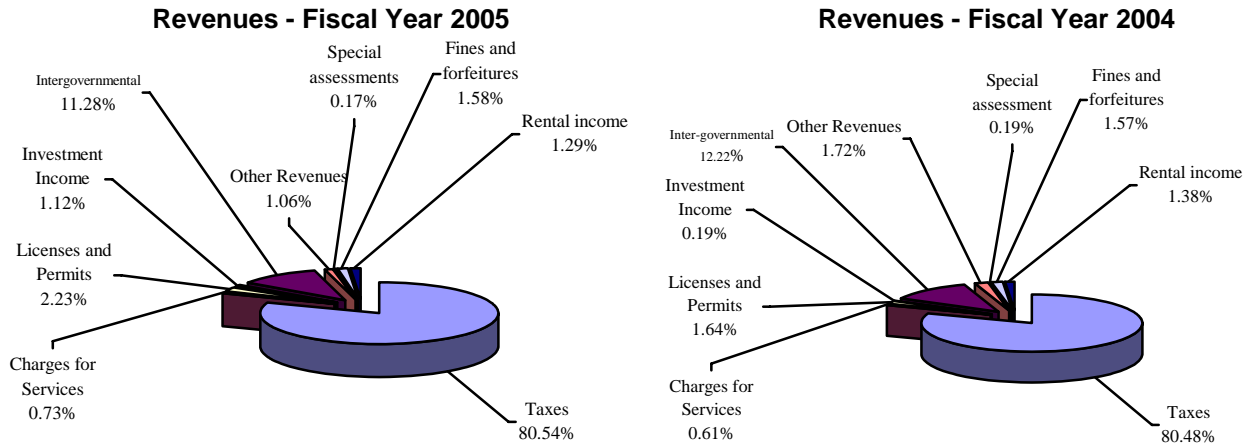
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

General Fund

The City's General Fund balance decreased \$103,867, primarily due to transfers out to other funds in the amount of \$754,674 and an decrease in revenue in the amount of \$230,696. The table that follows assists in illustrating the revenues of the General Fund.

	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
Revenues			
Taxes	\$ 13,617,754	\$ 13,790,773	(1.25) %
Charges for services	122,763	104,482	17.50 %
Licenses and permits	376,212	281,151	33.81 %
Fines and forfeitures	267,187	269,488	(0.85) %
Investment income	189,053	31,886	492.90 %
Special assessments	27,966	32,407	(13.70) %
Intergovernmental	1,907,290	2,094,281	(8.93) %
Rental income	217,869	236,128	(7.73) %
Other	<u>179,317</u>	<u>295,511</u>	(39.32) %
Total	<u>\$ 16,905,411</u>	<u>\$ 17,136,107</u>	(1.35) %

Tax revenue represents 80.55% of all General Fund revenue. Tax revenue decreased slightly by 1.25% from 2004 to 2005. The increase in investment income is due to increases in interest rates on the City's investments throughout the year and greater amounts being invested during 2005. The increase in licenses and permits was due to increases in funding for parks and recreation activities.



**CITY OF WHITEHALL
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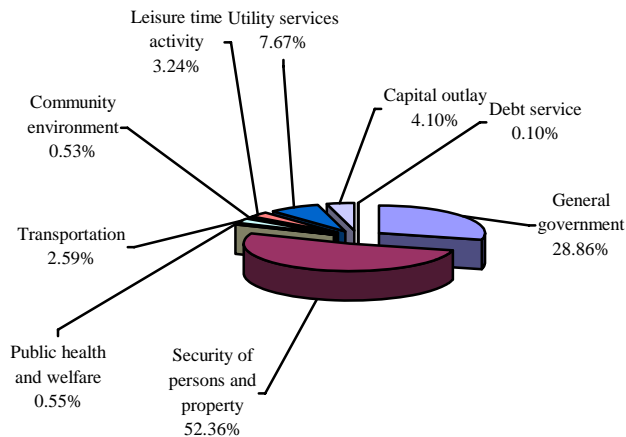
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The table that follows assists in illustrating the expenditures of the General Fund.

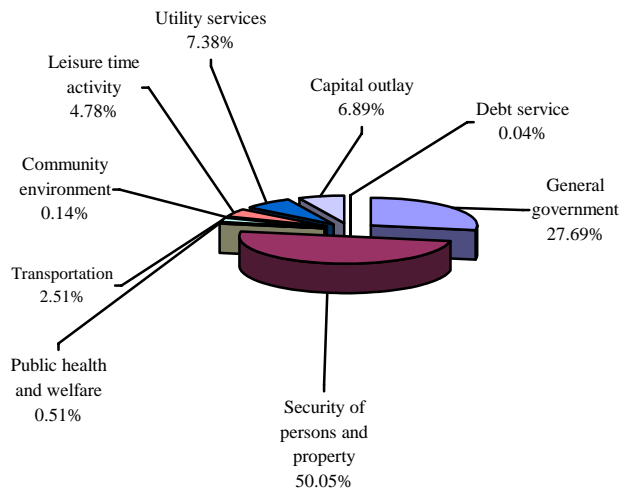
	<u>2005 Amount</u>	<u>2004 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 4,725,288	\$ 4,827,558	(2.12) %
Security of persons and property	8,572,998	8,724,651	(1.74) %
Public health and welfare	90,000	89,505	0.55 %
Transportation	424,127	437,987	(3.16) %
Community environment	86,733	25,014	246.74 %
Leisure time activity	529,773	832,851	(36.39) %
Utility services	1,254,862	1,285,658	(2.40) %
Capital outlay	670,830	1,200,849	(44.14) %
Debt service	15,728	7,368	113.46 %
Total	<u>\$ 16,370,339</u>	<u>\$ 17,431,441</u>	(6.09) %

The most significant decreases were in the areas of capital outlay and leisure time activity. The decrease in leisure time activity was due to a shift in the cost to other funds eligible to support the programs. The decrease in capital outlay expenditures was a result of the City spending less than budgeted on equipment and building improvements from the General fund. The most significant increases were in debt service and community environment. The increase in debt service expenditures can be attributed to the acquisition of new leases by the City. The increase in community environment expenditures was caused by an increase in engineering costs during 2005. All other expenditures remained comparable to 2004. The largest expenditure line item, security of persons and property, decreased slightly, which is primarily attributed to controlled costs of the department.

Expenditures - Fiscal Year 2005



Expenditures - Fiscal Year 2004



**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Community Development Fund

The City's Community Development Fund balance decreased \$217,048, from \$1,093,666 to \$876,618. The decrease in the Community Development Fund balance is primarily due to capital outlay expenditures in the amount of \$484,460 due to expenditures for the Country Club Rd. project during 2005. Furthermore, intergovernmental receivables decreased, from \$177,441 at 12/31/04 to \$39,177 at 12/31/05, and intergovernmental revenues decreased, from \$1,172,603 at 12/31/04 to \$267,412 at 12/31/05, as a result of the completion of the Country Club Rd. project during 2005.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General Fund on page 21. In the General Fund, one significant change was between the original and final budgeted amount in the area of revenues, which increased \$292,852 from \$17,189,122 to \$17,481,974. Actual revenues and other sources of \$17,279,657 were less than final budgeted revenues by \$202,317. The actual expenditures and other uses were \$2,530,877 lower than final budgeted expenditures and other uses due to controlling costs within the Fund. Final budgeted expenditures and other uses were \$227,042 lower than original budgeted expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the City had \$12,782,150 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. The following table shows fiscal 2005 balances compared to 2004:

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

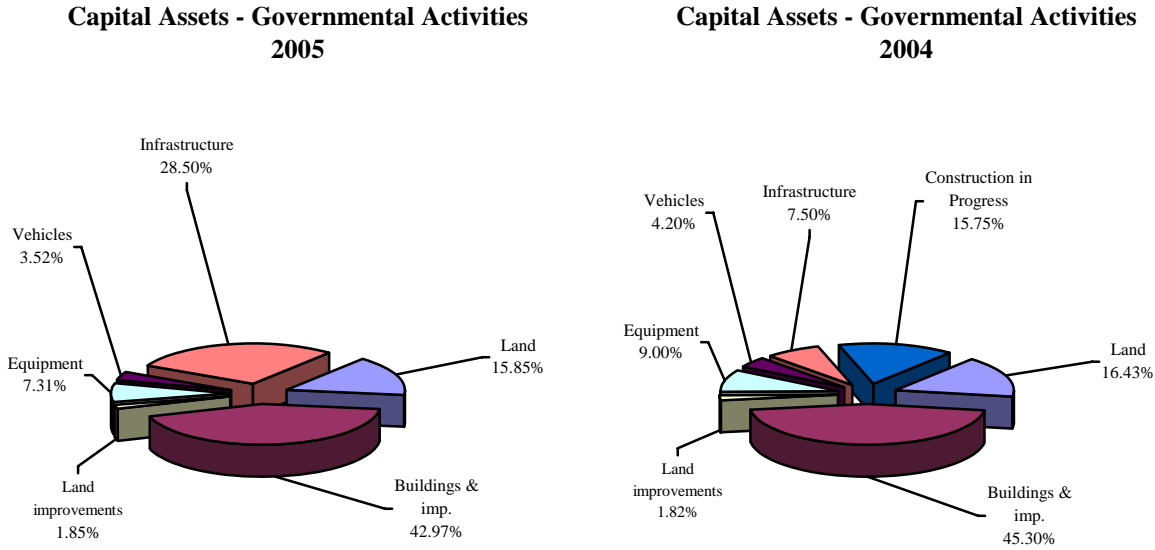
	Governmental Activities	
	2005	2004
Land	\$ 2,026,482	\$ 2,026,482
Land improvements	236,715	224,307
Buildings and improvements	5,491,028	5,589,359
Equipment	934,588	1,109,899
Vehicles	450,409	517,536
Infrastructure	3,642,928	924,767
Construction in progress	-	1,942,968
Totals	\$ 12,782,150	\$ 12,335,318

**CITY OF WHITEHALL
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
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(Continued)**

An increase of \$2,767,140 occurred in infrastructure due to the completion of the Country Club Road Improvements project and various paving and crack sealing road projects. Construction in progress at December 31, 2004 was \$1,942,968, which primarily consisted of the Country Club Road Improvements project. Since that project was completed and added to infrastructure during 2005, and no other construction projects were ongoing at December 31, 2005, construction in progress decreased to \$0.

The following graphs show the breakdown of governmental capital assets by category for 2005 and 2004.



The City's largest capital asset category is buildings and improvements. The net book value of the City's buildings and improvements (cost less accumulated depreciation) represents approximately 42.97% of the City's total governmental capital assets. See note 9 of the notes to the basic financial statements for more detailed information.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2005 and 2004:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Compensated absences	\$ 1,324,254	\$ 1,266,818
General obligation bonds	3,000,000	3,275,000
Capital lease obligation	<u>21,613</u>	<u>12,652</u>
Total long-term obligations	<u>\$ 4,345,867</u>	<u>\$ 4,554,470</u>

The City did not enter into any new debt obligations during the 2005 fiscal year. See notes 10 and 11 in the notes to the basic financial statements for more detailed information about the City's long-term obligations.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Economic Conditions and Next Year's General Fund Budget Outlook

The City's elected and appointed officials considered many factors when setting the fiscal year 2005 budget. Many of our City's revenues are influenced by the economy. The continued challenges resulting from regional losses of employment and the statewide recession have negatively impacted the 2005 financial forecast. The City Income Tax revenue forecast, particularly, is highly influenced by economic conditions. The 2005 adopted budget adjusted for a decrease of one percent (1%) in the collection of income tax from the prior year, due to economic constraints throughout the state of Ohio. The primary objectives for the 2005 budget included continued improvement service delivery to constituents as well as striving to maintain fiscal stability through 2005 and 2006.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue - local income taxes and shared intergovernmental (state) revenue. Commercial construction during the last half of 2005 was up and with other developmental projects in the works for 2006 and 2007; the City anticipates a rise in revenue due to building fees and permits.

Other factors that influenced the 2006 budget are renewal of labor agreements with the Police, Police Dispatchers and Fire unions, which include salary increases of 3.5%. For the first time since the City provided health insurance benefits for employees, employees will become active stakeholders with the City as they begin to pay a modest monthly premium for health insurance.

When considering the economic health of the City, the unreserved fund balance serves as a useful indicator of the City's net current resources available for spending at year-end. During this time of statewide recession, the administration should strongly consider the effect of downward pressures on future revenue and the impact it has upon maintaining current citywide services to residents and taxpayers. In order to achieve this, administration must be committed to making comprehensive efforts to reduce costs.

The annual unemployment rate for Franklin County remained at approximately 5%. In order to meet the challenges of 2006, a strong and balanced commitment to cost containment and continued revenue enhancement in respect to the General Fund is essential. The City's financial position will remain stable only if thorough and conservative financial management is practiced while aggressively seeking new sources of revenue.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and 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 Ms. Kim Maggard, City Auditor, City of Whitehall, 360 S. Yearling Road, Whitehall, Ohio 43213.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,641,119
Cash with fiscal agent	232,608
Cash in segregated accounts.	1,175
Receivables (net of allowances for uncollectibles):	
Income taxes	1,208,503
Real and other taxes	514,750
Accounts	326,317
Special assessments	18,248
Accrued interest	36,218
Due from other governments	1,269,848
Prepayments	160,063
Materials and supplies inventory.	111,373
Capital assets:	
Land.	2,026,482
Depreciable capital assets, net	10,755,668
Total capital assets, net	<u>12,782,150</u>
Total assets.	<u>24,302,372</u>
Liabilities:	
Accounts payable.	233,778
Accrued wages and benefits	170,783
Due to other governments	1,005,267
Deferred revenue.	442,015
Accrued interest payable.	13,336
Claims payable.	551,318
Long-term liabilities:	
Due within one year	905,323
Due in more than one year	3,440,544
Total liabilities	<u>6,762,364</u>
Net assets:	
Invested in capital assets, net of related debt	9,764,795
Restricted for:	
Street maintenance and repair	1,006,612
State highway	390,608
Tourism activities and economic development	534,382
Fire department equipment.	450,121
Community development	915,795
Capital projects.	160,798
Debt service	130,743
Human services programs	1,937,235
Unrestricted.	<u>2,248,919</u>
Total net assets	<u>\$ 17,540,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Revenues				Net (Expense) Revenue and Charges in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 5,178,228	\$ 376,438	\$ 35,144	\$ -	\$ (4,766,646)
Security of persons and property.	9,420,783	420,778	143,222	-	(8,856,783)
Public health and welfare	174,091	-	79,339	-	(94,752)
Transportation	1,414,103	34,878	1,313,084	205,937	139,796
Community environment.	216,485	-	65,264	-	(151,221)
Leisure time activity.	637,330	149,983	1,000	-	(486,347)
Utility services	1,254,862	-	-	-	(1,254,862)
Interest and fiscal charges.	173,948	-	-	-	(173,948)
Total governmental activities	<u>\$ 18,469,830</u>	<u>\$ 982,077</u>	<u>\$ 1,637,053</u>	<u>\$ 205,937</u>	<u>(15,644,763)</u>

General Revenues:

Property and other taxes levied for:	
General purposes	432,349
Income taxes levied for:	
General purposes	13,210,790
Lodging taxes levied for:	
Tourism activities and economic development	106,760
Grants and entitlements not restricted to specific programs	
Operating	1,764,876
Investment earnings	199,137
Miscellaneous	555,529
Total general revenues.	<u>16,269,441</u>
Change in net assets.	624,678
Net assets at beginning of year	16,915,330
Net assets at end of year	<u>\$ 17,540,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,245,335	\$ 876,618	\$ 2,519,166	\$ 7,641,119
Cash with fiscal agent	-	-	232,608	232,608
Cash in segregated accounts	1,175	-	-	1,175
Receivables (net of allowance for uncollectibles):				
Income taxes	1,208,503	-	-	1,208,503
Real and other taxes	508,788	-	5,962	514,750
Accounts	121,724	-	204,593	326,317
Interfund loans	39,070	-	-	39,070
Accrued interest	36,218	-	-	36,218
Special assessments	18,248	-	-	18,248
Due from other funds	-	-	2,557	2,557
Due from other governments	830,008	39,177	400,663	1,269,848
Prepayments	160,063	-	-	160,063
Materials and supplies inventory	43,912	-	67,461	111,373
Total assets	<u>\$ 7,213,044</u>	<u>\$ 915,795</u>	<u>\$ 3,433,010</u>	<u>\$ 11,561,849</u>
Liabilities:				
Accounts payable	\$ 229,987	\$ -	\$ 3,791	\$ 233,778
Accrued wages and benefits	157,617	-	13,166	170,783
Interfund loans payable	-	-	39,070	39,070
Due to other funds	2,557	-	-	2,557
Due to other governments	1,003,665	-	1,602	1,005,267
Claims payable	230,301	-	-	230,301
Deferred revenue	1,324,353	39,177	389,340	1,752,870
Total liabilities	<u>2,948,480</u>	<u>39,177</u>	<u>446,969</u>	<u>3,434,626</u>
Fund Balances:				
Reserved for encumbrances	380,990	277,622	81,028	739,640
Reserved for prepayments	160,063	-	-	160,063
Reserved for materials and supplies inventory	43,912	-	67,461	111,373
Reserved for insurance contingency	1,302,059	-	-	1,302,059
Designated for budget stabilization	400,000	-	-	400,000
Unreserved, undesignated, reported in:				
General fund	1,977,540	-	-	1,977,540
Special revenue funds	-	-	2,268,734	2,268,734
Debt service fund	-	-	144,079	144,079
Capital projects funds	-	598,996	424,739	1,023,735
Total fund balances	<u>4,264,564</u>	<u>876,618</u>	<u>2,986,041</u>	<u>8,127,223</u>
Total liabilities and fund balances	<u>\$ 7,213,044</u>	<u>\$ 915,795</u>	<u>\$ 3,433,010</u>	<u>\$ 11,561,849</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Total governmental fund balances		\$ 8,127,223
<i>Amounts reported for governmental activities in the statement of net assets are different because.</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,782,150
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 67,864	
Income taxes	359,394	
Charges for services	191,944	
Special assessments	6,753	
Intergovernmental revenues	658,643	
Accrued interest	<u>26,257</u>	
Total		1,310,855
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Accrued interest payable	13,336	
General obligation bonds	3,000,000	
IBNR payable	321,017	
Capital lease payable	21,613	
Compensated absences	<u>1,324,254</u>	
Total		<u>(4,680,220)</u>
Net assets of governmental activities		<u><u>\$ 17,540,008</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Community Development	Other Governmental Funds	Total Governmental Funds
Revenues:				
Municipal income taxes	\$ 13,198,361	\$ -	\$ -	\$ 13,198,361
Property and other taxes	419,393	-	106,760	526,153
Charges for services	122,763	-	322,943	445,706
Licenses and permits	376,212	-	-	376,212
Fines and forfeitures	267,187	-	30,727	297,914
Intergovernmental	1,907,290	267,412	1,692,416	3,867,118
Special assessments	27,966	-	-	27,966
Investment income	189,053	-	2,242	191,295
Rental income	217,869	-	-	217,869
Other	179,317	-	-	179,317
Total revenues	<u>16,905,411</u>	<u>267,412</u>	<u>2,155,088</u>	<u>19,327,911</u>
Expenditures:				
Current:				
General government	4,725,288	-	86,771	4,812,059
Security of persons and property	8,572,998	-	249,880	8,822,878
Public health and welfare	90,000	-	79,339	169,339
Transportation	424,127	-	796,712	1,220,839
Community environment	86,733	-	123,275	210,008
Leisure time activity	529,773	-	1,000	530,773
Utility services	1,254,862	-	-	1,254,862
Capital outlay	670,830	484,460	312,785	1,468,075
Debt service:				
Principal retirement	13,922	-	275,000	288,922
Interest and fiscal charges	1,806	-	173,243	175,049
Total expenditures	<u>16,370,339</u>	<u>484,460</u>	<u>2,098,005</u>	<u>18,952,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>535,072</u>	<u>(217,048)</u>	<u>57,083</u>	<u>375,107</u>
Other financing sources (uses):				
Transfers in	92,852	-	759,174	852,026
Transfers out	(754,674)	-	(97,352)	(852,026)
Inception of capital lease	22,883	-	-	22,883
Total other financing sources (uses)	<u>(638,939)</u>	<u>-</u>	<u>661,822</u>	<u>22,883</u>
Net change in fund balances	(103,867)	(217,048)	718,905	397,990
Fund balances at beginning of year (restated) .	<u>4,368,431</u>	<u>1,093,666</u>	<u>2,267,136</u>	<u>7,729,233</u>
Fund balances at end of year	<u>\$ 4,264,564</u>	<u>\$ 876,618</u>	<u>\$ 2,986,041</u>	<u>\$ 8,127,223</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

**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, 2005**

Net change in fund balances - total governmental funds \$ 397,990

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

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

Capital asset additions	\$ 1,025,655	
Current year depreciation	(578,823)	
Total		446,832

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

Property taxes	12,956	
Income taxes	12,429	
Charges for services	(7,861)	
Special assessments	(1,867)	
Intergovernmental revenues	(256,902)	
Accrued interest	7,842	
Total		(233,403)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 288,922

Capital lease transactions are recognized as revenue in the governmental funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities in the statement of activities. (22,883)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,101

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

IBNR payable	(196,445)	
Compensated absences	(57,436)	
		(253,881)

Change in net assets of governmental activities \$ 624,678

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal income taxes	\$ 13,169,896	\$ 13,394,272	\$ 13,229,797	\$ (164,475)
Property and other taxes	417,494	424,607	419,393	(5,214)
Charges for services	128,331	130,518	128,915	(1,603)
Licenses and permits.	373,406	379,767	375,104	(4,663)
Fines and forfeitures.	263,741	268,235	264,941	(3,294)
Intergovernmental	1,984,982	2,018,800	1,994,010	(24,790)
Special assessments	37,539	38,179	37,710	(469)
Investment income	184,189	187,327	185,027	(2,300)
Rental income	194,166	197,474	195,049	(2,425)
Other	178,505	181,546	179,317	(2,229)
Total revenues.	16,932,249	17,220,725	17,009,263	(211,462)
Expenditures:				
Current:				
General government	5,312,494	5,344,752	4,613,712	731,040
Security of persons and property	10,150,666	10,244,166	8,746,165	1,498,001
Public health and welfare.	90,000	90,000	90,000	-
Transportation	487,112	487,112	445,084	42,028
Community environment	104,592	104,592	92,880	11,712
Leisure time activity	663,649	663,649	572,346	91,303
Utility services	1,606,883	1,606,883	1,409,159	197,724
Capital outlay.	1,496,019	1,053,519	728,607	324,912
Debt service:				
Principal retirement	515,743	-	-	-
Total expenditures	20,427,158	19,594,673	16,697,953	2,896,720
Excess (deficiency) of revenues over (under) expenditures	(3,494,909)	(2,373,948)	311,310	2,685,258
Other financing sources (uses):				
Transfers in.	256,873	261,249	258,041	(3,208)
Transfers out	-	(554,020)	(919,863)	(365,843)
Advances in.	-	-	12,353	12,353
Advances out	-	(51,423)	(51,423)	-
Total other financing sources (uses)	256,873	(344,194)	(700,892)	(356,698)
Net change in fund balance	(3,238,036)	(2,718,142)	(389,582)	2,328,560
Fund balance at beginning of year	2,809,841	2,809,841	2,809,841	-
Prior year encumbrances appropriated	1,240,029	1,240,029	1,240,029	-
Fund balance at end of year.	\$ 811,834	\$ 1,331,728	\$ 3,660,288	\$ 2,328,560

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2005

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 219,561
Total assets	<u>\$ 219,561</u>
Liabilities:	
Deposits held and due to others	\$ 219,561
Total liabilities	<u>\$ 219,561</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - DESCRIPTION OF THE CITY

The City of Whitehall (the "City") is a home rule corporation established under the laws of the State of Ohio that operates under its own Charter. The current Charter, which provides for the Mayor-Council form of government, was adopted November 8, 1966, and became effective December 31, 1966.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The City has no component units, but is a member of an insurance purchasing pool for workers' compensation which is described in Note 12.

To provide necessary services to its citizens, the City is divided into various departments including police, fire fighting and prevention, emergency medical services, street maintenance, parks and recreation, public service and planning, and zoning. The operation of each of these departments is directly controlled by the City, through the budgetary process and therefore is included as a part of the reporting entity.

B. Basis of Presentation - Fund Accounting

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

CITY OF WHITEHALL
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are two categories of funds: governmental and fiduciary.

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Community Development Fund - The community development fund accounts for financial resources used in capital projects.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose uses are restricted to particular purposes.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

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

E. Basis of Accounting

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

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive automobile tax), fines and forfeitures, charges for services and grants.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance year 2006 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

F. Budgetary Data

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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. For all funds, Council appropriations are made by department to personal services, travel and education, contractual services, supplies and materials, and capital outlay. This is known as the legal level of budgetary control. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget - A tax budget of estimated revenue and expenditures for all funds 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. All funds, except agency funds, are legally required to be budgeted.

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 Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2005.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the legal level of budgetary control. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original appropriation amounts and the final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

Cash balances of the City's funds, except cash held by a fiscal agent, are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank accounts are presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2005, investments were limited to negotiable and nonnegotiable certificates of deposit, federal agency securities, money market mutual funds, repurchase agreements and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

The City has invested funds in STAR Ohio during fiscal 2005. 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, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2005, interest revenue credited to the general fund amounted to \$189,053 which includes \$85,185 assigned from other City funds.

The City has a segregated bank account for Mayors Court monies held separate from the City's central bank account. This depository account is presented on the financial statements as "Cash in Segregated Accounts" since it is not required to be deposited into the City treasury.

At year-end, the City had monies on deposit with the Franklin County Treasurer. This deposit relates to undistributed permissive automobile taxes and has been reported on the financial statements as "Cash with Fiscal Agent".

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the City's investment account at year-end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

I. Capital Assets

These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for all capital assets. The City's infrastructure consists of curbs, sidewalks, and streets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 - 50 years
Buildings and improvements	20 - 50 years
Equipment	5 - 30 years
Vehicles	3 - 10 years
Infrastructure	10 - 50 years

J. Compensated Absences

Compensated absences of the City consist of vacation leave, sick leave, and compensatory time to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for Compensated Absences", vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation leave, compensatory time, and sick leave has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. Any such amounts would be recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and claims that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental columns of the statement of net assets. The City has no long-term interfund loans.

N. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Fund Balance Reserves and Designations

Reserved or designated fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved and designated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments, materials and supplies inventory, and insurance contingencies in the governmental fund financial statements.

The City reports amounts set-aside by City Council for budget stabilization as a designation of fund balance in the governmental funds.

P. Estimates

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

Q. Net Assets

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

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

R. Rental Income

On April 1, 2001, the City entered into a lease agreement with Four Seasons Golf Center, LLC for the lease of a City owned golf facility. The lease is for a one-hundred twenty month term and calls for regular scheduled rent payments plus additional rent payments as defined by the agreement. The City recognized \$72,284 in receipts related to this lease in 2005. Activity related to this lease has been included as a component of "rental income" in the financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2005, the City has implemented GASB Statement No. 40 "Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3", and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries".

GASB Statement No. 40 establishes and modifies disclosure requirements for deposits and investments, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 40 and GASB Statement No. 42 did not have an effect on the financial statements of the City, however additional note disclosure for GASB Statement No. 40 can be found in Note 4.

B. Restatement of Fund Balances

Cash adjustments are an accounting change to properly segregate storm shed grant funds in a segregated fund which resulted in restated fund balances at January 1, 2005. The net cash adjustments had no effect on net assets at December 31, 2004.

	<u>General</u>	<u>Community Development</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance				
December 31, 2004	\$4,368,431	\$1,105,219	\$2,255,583	\$ 7,729,233
Cash adjustments, net	-	(11,553)	11,553	-
Restated fund balance				
January 1, 2005	<u>\$4,368,431</u>	<u>\$1,093,666</u>	<u>\$2,267,136</u>	<u>\$ 7,729,233</u>

C. Deficit Fund Balances

The following fund had a deficit fund balance as of December 31, 2005:

	<u>Deficit Fund Balance</u>
<u>Nonmajor Governmental Fund</u>	
Domestic Violence	\$ 3,102

This fund complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balance in the Domestic Violence special revenue fund is a result of the application of GAAP, namely in the recognition of a liability for interfund loans attributable to the current year. This deficit will be eliminated by intergovernmental revenues not recognized at December 31.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool STAR Ohio.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Fiscal Agent

At year-end, the City had \$232,608 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2005. This amount is not included in the City's depository balance below.

B. Cash on Hand

At year-end, the City had \$1,175 in undeposited cash on hand which is included on the financial statements of the City as part of "Cash in Segregated Accounts"

C. Deposits

At December 31, 2005, the carrying amount of all City deposits was \$479,075. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures – an Amendment of GASB Statement No. 3", as of December 31, 2005, \$452,887 of the City's bank balance of \$699,048 was exposed to custodial credit risk as discussed below, because it was uninsured and uncollateralized with securities held by the pledging financial institution.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City's deposits may not be returned. The City's investment policy and the Ohio Revised Code require that all deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

D. Investments

As of December 31, 2005, the City had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
STAR Ohio	\$ 400,494	\$ 400,494	\$ -	\$ -
FHLMC	692,771	842,649	98,012	-
FHLB	1,323,551	349,783	529,816	196,062
FNMA	2,122,140	747,425	197,312	1,177,403
Repurchase Agreements	2,158,000	2,158,000		
Negotiable Certificates of Deposit	684,649	199,033	-	485,616
	<u>\$ 7,381,605</u>	<u>\$ 4,697,384</u>	<u>\$ 825,140</u>	<u>\$ 1,859,081</u>

Interest Rate Risk: The City's investment policy states that the City will minimize interest rate risk by investing operating funds primarily in shorter-term securities and by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. With certain limitations, the City's investment policy states that the maximum maturity period for securities bearing interest at a fixed rate should be no greater than five years. In addition, eligible investments bearing interest at a variable rate

must have a maturity no greater than two years. The Ohio Revised Code requires repurchase agreements to not exceed 30 days, and the market value of securities for repurchase agreements must exceed the principal value by an amount greater than or equal to two percent.

Credit Risk: The Federal Home Loan Mortgage Company Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy limits investments to those authorized by State Statute.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City's investment policy provides for diversification by security type and institution. With the exception of direct obligations of the U.S. Treasury and STAR Ohio, no more than 49 percent of the City's total investment portfolio is to be invested in a single security type or with a single financial institution.

The following table includes the percentage of each investment type held by the City at December 31, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLMC	\$ 692,771	9.9%
FNMA	2,122,140	30.4%
FHLB	1,323,551	19.0%
Negotiable Certificates of Deposit	684,649	9.8%
Repurchase Agreements	<u>2,158,000</u>	<u>30.9%</u>
	<u>\$ 6,981,111</u>	<u>100.0%</u>

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 479,075
Investments	7,381,605
Cash with fiscal agent	232,608
Cash on hand	<u>1,175</u>
Total	<u>\$ 8,094,463</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,874,902
Agency funds	<u>219,561</u>
Total	<u>\$ 8,094,463</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSFERS

- A.** Interfund transfers for the year ended December 31, 2005, consisted of the following, as reported in the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	#####
Nonmajor special revenue fund	4,500

Transfers to general fund from:

Nonmajor capital projects fund	<u>92,852</u>
Total transfers	#####

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Due from/to other funds consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Special Revenue Funds	General Fund	\$ 2,557

The balances resulted from the time lag between the dates in which payments between the funds are made.

- C.** Interfund loans consisted of the following at December 31, 2005, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General	Nonmajor special revenue funds	\$ 39,070

All interfund loans are expected to be repaid within the next fiscal year.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value as of the prior January 1, the tax lien date. Assessed values are established by state law at 35 percent of appraised market value, as established by the County Auditor. All real property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or semiannually. The first payment for 2005 was due January 1, with the remainder payable June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied on assessed values as of the prior January 1, the lien date. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied on the assessed values and at the close of the most recent fiscal year of the taxpayer (for businesses in operation more than one year) or December 31. 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. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30, and if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements.

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in Franklin County, including the City. The Franklin County Auditor periodically remits to the City its portion of the taxes collected. The full rate for all City operations for the year ended December 31, 2005, was \$1.50 per \$1,000.00 of assessed value.

The assessed values of real and tangible personal property, upon which taxes for 2005 were collected, are as follows:

<u>Category</u>	<u>Assessed Value</u>
Residential	\$ 165,514,160
Commercial	99,768,890
Industrial	<u>8,870,700</u>
Total real estate	<u>274,153,750</u>
Public utility - real	32,450
Public utility - personal	<u>11,025,760</u>
Total public utility	<u>11,058,210</u>
Tangible personal property	<u>26,525,183</u>
Grand total	<u>\$ 311,737,143</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Accrued taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2005. Although total property tax collections for the next fiscal year are measurable, amounts to be received are not intended to finance 2005 operations. Accordingly, the receivable is offset by a credit to "Deferred Revenue."

NOTE 7 - LOCAL INCOME TAX

The City levies a municipal income tax of 2.0% on all salaries, wages, commissions and other compensation; on net profits earned within the City; and on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% for any income tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly. Corporations and individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue has been reported as revenue in the general fund to the extent that it was measurable and available to finance current operations at December 31. Income tax revenue for 2005 was \$13,198,361.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2005, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the financial statements.

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Income taxes	\$ 1,208,503
Real and other taxes	514,750
Accounts	326,317
Accrued interest	36,218
Special assessments	18,248
Due from other governments	<u>1,269,848</u>
Total	<u>\$ 3,373,884</u>

Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessments.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS

Under GASB Statement No. 34, the City has elected to “phase in” the retroactive reporting of infrastructure assets. The City plans to retroactively report infrastructure capital assets in the 2006 basic financial statements. Only infrastructure capital assets acquired or constructed in fiscal years 2003 through 2005 are reflected in the basic financial statements for the fiscal year ended December 31, 2005.

<u>Governmental Activities:</u>	<u>Balance</u> <u>12/31/04</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/05</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,026,482	\$ -	\$ -	\$ 2,026,482
Construction in progress	<u>1,942,968</u>	<u>389,637</u>	<u>(2,332,605)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>3,969,450</u>	<u>389,637</u>	<u>(2,332,605)</u>	<u>2,026,482</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	517,324	19,958	-	537,282
Buildings and improvements	8,820,767	81,042	-	8,901,809
Equipment	2,174,905	31,972	-	2,206,877
Vehicles	1,829,464	68,511	(14,825)	1,883,150
Infrastructure	<u>945,054</u>	<u>2,767,140</u>	<u>-</u>	<u>3,712,194</u>
Total capital assets, being depreciated	<u>14,287,514</u>	<u>2,968,623</u>	<u>(14,825)</u>	<u>17,241,312</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(293,017)	(7,550)	-	(300,567)
Buildings and improvements	(3,231,408)	(179,373)	-	(3,410,781)
Equipment	(1,065,006)	(207,283)	-	(1,272,289)
Vehicles	(1,311,928)	(135,638)	14,825	(1,432,741)
Infrastructure	<u>(20,287)</u>	<u>(48,979)</u>	<u>-</u>	<u>(69,266)</u>
Total accumulated depreciation	<u>(5,921,646)</u>	<u>(578,823)</u>	<u>14,825</u>	<u>(6,485,644)</u>
Total capital assets, being depreciated, net	<u>8,365,868</u>	<u>2,389,800</u>	<u>-</u>	<u>10,755,668</u>
Governmental activities capital assets, net	#####	#####	<u>\$(2,332,605)</u>	<u>\$ 12,782,150</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 28,357
Security of persons and property	156,881
Transportation	86,110
Community environment	584
Leisure time activity	<u>306,891</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 578,823</u></u>

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In 2005, the City entered into capital lease agreements for the acquisition of copier equipment.

The terms of the lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board (FASB) Statement No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfer benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund in the fund financial statements. General capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2005:

<u>Year Ending December 31</u>	<u>Equipment</u>
2006	\$ 8,605
2007	8,603
2008	<u>7,001</u>
 Total minimum lease payments	 24,209
Less: amount representing interest	<u>(2,596)</u>
 Present value of future minimum lease payment	 <u><u>\$ 21,613</u></u>

The City does not have capitalized lease obligations after fiscal year 2008.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

<u>Governmental Activities:</u>	Balance <u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/05</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 3,275,000	\$ -	\$ (275,000)	\$ 3,000,000	\$ 285,000
Capital lease obligation	12,652	22,883	(13,922)	21,613	7,133
Compensated absences	<u>1,266,818</u>	<u>860,839</u>	<u>(803,403)</u>	<u>1,324,254</u>	<u>613,190</u>
Total	<u>\$ 4,554,470</u>	<u>\$ 883,722</u>	<u>\$ (1,092,325)</u>	<u>\$ 4,345,867</u>	<u>\$ 905,323</u>

Compensated absences will be paid from the funds from which the employees' salaries are paid. The capital lease obligations will be paid from the general fund.

- B. On July 11, 1995, the City issued a general obligation bond for \$2,005,000 in order to fund waterline replacements. This bond is scheduled to mature on December 1, 2010. Principal and interest payments are made out of the debt service fund. The following is a description of the general obligation bond payable as of December 31, 2005:

<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Bond <u>Outstanding 12/31/04</u>	<u>Retired in 2005</u>	Bond <u>Outstanding 12/31/05</u>
Variable 3.9% - 5.65% (Average = 5.278%)	7/11/1995	12/1/2010	<u>\$ 980,000</u>	<u>\$ (145,000)</u>	<u>\$ 835,000</u>

- C. On September 24, 1997, the City issued a general obligation bond for \$3,065,000 for the construction of a fire house and a senior citizen center. The bond is scheduled to mature December 1, 2017. Principal and interest payments are made out of the debt service fund. The following is a description of the general obligation bond payable as of December 31, 2005:

<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Bond <u>Outstanding 12/31/04</u>	<u>Retired in 2005</u>	Bond <u>Outstanding 12/31/05</u>
5.179%	9/24/1997	12/1/2017	<u>\$ 2,295,000</u>	<u>\$ (130,000)</u>	<u>\$ 2,165,000</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. The following is a summary of the City's future annual debt service requirements to maturity for the general obligation bonds payable:

<u>Year Ending December 31</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2006	\$ 285,000	\$ 160,028	\$ 445,028
2007	300,000	145,139	445,139
2008	315,000	128,479	443,479
2009	330,000	112,783	442,783
2010	350,000	90,074	440,074
2011 - 2015	960,000	285,930	1,245,930
2016 - 2017	<u>460,000</u>	<u>37,530</u>	<u>497,530</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 959,963</u>	<u>\$ 3,959,963</u>

E. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2005, the City's total debt margin was \$29,876,479 and the unvoted debt margin was \$17,289,622.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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. During January through October 2005, the City was insured through the BOA/General Insurance Agency for all property, general liability, auto, public official liability, errors and omissions and law enforcement liability. Beginning in November 2005, those insurance coverages were provided through Acordia. Real property contents are 90% coinsured. The City has transferred its risk of loss to the insurance carrier to the extent of the limits shown below:

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 - RISK MANAGEMENT (Continued)

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	\$10,702,727	\$ 1,000
General liability		
Per occurrence	1,000,000	0
Aggregate	2,000,000	0
Vehicles		
Comprehensive	1,000,000	1,000
Collision	1,000,000	1,000
Inland Marine	50,000	250
Law enforcement	1,000,000	10,000
Public officials	1,000,000	10,000
Boiler and machinery	3,000,000	1,000

B. Health Insurance

During a prior period, the City established a Risk Management program (within its general fund) to account for and finance its uninsured risks of loss. Under this program, the City provides coverage for up to a maximum of \$60,000 per person per year, to a group claims maximum of \$1,506,484 for 2005. The City purchases commercial insurance for claims in excess of coverage provided by the Plan and for all other risks of loss.

All funds of the City from which employee salaries are paid participate in the program. Payments are based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,302,059 at December 31, 2005 and is reported as a reservation of fund balance in the general fund. The claims liability reported at December 31, 2005 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by FASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported at the estimated ultimate cost of settling the claims 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. The changes in claims liability during the fiscal year ended December 31, 2005 is as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2005	\$ 291,388	\$ 1,766,414	\$ (1,506,484)	\$ 551,318
2004	370,000	1,471,292	(1,549,904)	291,388

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The City participates in the Ohio Municipal League (OML) public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald Company. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by participants other than their annual fees.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The City's contribution rate for pension benefits for 2005 was 9.55%, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$658,140, \$668,713, and \$619,128, respectively; 87.04% has been contributed for 2005 and 100% has been contributed for 2004 and 2003. \$85,302, representing the unpaid contribution for 2005, is record as a liability within the respective funds.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary to fund pension obligations while the City is required to contribute 11.75% for police officers and 16.25% for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for the years ended December 31, 2005, 2004, and 2003 were \$1,245,221, \$1,598,854, and \$1,490,069, respectively. The full amount has been contributed for 2004 and 2003. 70.26% for police and fire has been contributed for 2005 with the remainder of \$370,324 being reported as a liability in the respective funds.

NOTE 14 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by Chapter 145 of the Ohio Revised Code. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 1.00% and 6.00% annually for the next eight years and 4.00% annually after that.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The number of active contributing participants in the traditional and combined plans was 376,109 as of December 31, 2005. The number of active participants for both plans used in the December 31, 2004 actuarial valuation was 355,287. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$194,285. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2005. 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.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's actual contributions for 2005 that were used to fund postemployment benefits for police officers and firefighters were \$247,176 and \$201,103 respectively. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004 (the latest information available), was 13,812 for police and 10,528 for firefighters.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statement for the governmental fund for which a budgetary basis statement is presented.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance

	<u>General</u>
Budget basis	\$ (389,582)
Net adjustment for revenue accruals	(103,852)
Net adjustment for expenditure accruals	(221,508)
Net adjustment for other sources/(uses)	61,953
Adjustment for encumbrances	<u>549,122</u>
GAAP basis	<u>\$ (103,867)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at December 31, 2005.

B. Litigation

The City is currently not involved in litigation that the City's legal counsel anticipates a loss.

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**CITY OF WHITEHALL
FRANKLIN COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
UNITED STATES DEPARTMENT OF JUSTICE			
Local Law Enforcement Block Grant Program	16.592		\$ 3,075
Local Law Enforcement Block Grant Program	16.592		2,148
Local Law Enforcement Block Grant Program	16.592		<u>10,312</u>
Total Local Law Enforcement Block Grant Program			<u>15,535</u>
<i>Passed Through Franklin County, Ohio:</i>			
Juvenile Accountability Incentive Block Grants	16.523	2003-JB-002-F133	10,145
Violence Against Women Formula Grants	16.588	04-WF-VA2/VA5-V502	<u>22,789</u>
<i>Total Passed Through Franklin County, Ohio</i>			<u>32,934</u>
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Edward Byrne Memorial Formula Grant Program	16.579	04-DG-B-D120	<u>19,153</u>
<i>Total Passed Through the Ohio Office of Criminal Justice Services</i>			<u>19,153</u>
Total United States Department of Justice			<u>67,622</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Emergency Management Agency:</i>			
Disaster Grants - Public Assistance	97.036	DR-1580-OH	<u>42,809</u>
Total United States Department of Homeland Security			<u>42,809</u>
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Franklin County, Ohio</i>			
Community Development Block Grant/Entitlement Grants	14.218	B-05-UC-39-0002	<u>204,400</u>
Total United States Department of Housing and Urban Development			<u>204,400</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through the Ohio Department of Public Safety</i>			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2005-DTF 4/6	<u>105,033</u>
Total United States Department of Transportation			<u>105,033</u>
UNITED STATES DEPARTMENT OF DEFENSE			
<i>Pass Through the Corps of Engineers U. S. Army Engineer</i>			
Whitehall Storm Water Improvement Project	N/A	AMSCO 013692	<u>95,852</u>
Total United States Department of Defense			<u>95,852</u>
Total Federal Awards Expenditures			<u>\$ 515,716</u>

The Notes to the Federal Awards Expenditures Schedule are an integral part of the Schedule.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2005**

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Whitehall
Franklin County
360 South Yearling Road
Whitehall, Ohio 43213

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of finding as item 2005-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the City's management dated October 19, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the City's management dated October 19, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the finance committee, management, the City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 19, 2006



**Auditor of State
Betty Montgomery**

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

City of Whitehall
Franklin County
360 South Yearling Road
Whitehall, Ohio 43213

To the City Council:

Compliance

We have audited the compliance of the City of Whitehall, Franklin County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. In a separate letter to the City's management dated October 19, 2006, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

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www.auditor.state.oh.us

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the finance committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 19, 2006

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #14.218 – Community Development Block Grant/ Entitlement Grants CFDA #20.601 – Alcohol Traffic Safety and Drunk Driving Prevention Incentive
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

CITY OF WHITEHALL
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005

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

Finding Number	2005-001
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SAS 70 Report – Health and Dental Claims Processing

The City has delegated the health and dental claims processing function of its self insurance, which is a significant accounting function, to a third-party administrator. The City has not established procedures to determine whether the service organization has sufficient controls in place and which are operating effectively to reduce the risk that claims have not been completely and accurately processed and paid in accordance with the health insurance contract.

We recommend the City help assure the completeness and accuracy (including eligibility and allowability) of health insurance claims processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the City with reasonable assurance that health insurance claim transactions conform to the contract.

We recommend the City specify in its contract with the third-party administrator that an annual Type II SAS 70 audit be performed. The City should be provided a copy of the SAS 70 audit report timely and should review the report's content. A SAS 70 audit should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide a Type II SAS 70 audit report, we recommend the City only contract with a third-party administrator that will provide such a report.

Auditee Response:

The City recognizes the validity of this issue and will work with our third party administrator to ensure sufficient controls are in place in the performance of contracting their responsibilities. The City will work with the administrators to obtain sufficient assurance of control in the 2006 audit year through a Type Two SAS 70 Report.

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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CITY OF WHITEHALL

FRANKLIN 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 30, 2006**