

THE CITY OF HEATH, OHIO

LICKING COUNTY



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
City of Heath

We have reviewed the Independent Auditor's Report of the City of Heath, Licking County, prepared by Wolfe, Wilson & Phillips, Inc. for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 24, 2003

This Page is Intentionally Left Blank.

THE CITY OF HEATH, OHIO

LICKING COUNTY

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2002

Prepared by:
Keith Alexander
City Auditor

Linda Richards
Assistant Auditor

Vicki Miller
Administrative Assistant

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

CITY OF HEATH, OHIO LICKING COUNTY

I INTRODUCTORY SECTION

A	Letter of Transmittal	v
B	Principal Officials	xxi
C	Organizational Chart	xxii
D	Certificate of Achievement	xxiii

II FINANCIAL SECTION

A	INDEPENDENT AUDITORS' REPORT	1
B	GENERAL PURPOSE FINANCIAL STATEMENTS	
	Combined Financial Statements - Overview	
	Combined Balance Sheet All Fund Types and Account Groups	4
	Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds	7
	Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types	8
	Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types	10
	Combined Statement of Cash Flows All Proprietary Fund Types	11
	Notes to the General Purpose Financial Statements	12

C	COMBINING FINANCIAL STATEMENTS AND SCHEDULES	
	General Fund	
	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)	38
	Special Revenue Funds	
	Combining Balance Sheet	44
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	46
	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)	
	Street Construction, Maintenance and Repair Fund	48
	State Highway Fund	49
	County \$5 Permissive License Tax Fund	50
	Swimming Pool Fund	51
	Fire Levy Fund	52
	Fire Pension Fund	53
	Police Pension Fund	54
	Law Enforcement Trust Fund	55
	Enforcement and Education Fund	56
	D.A.R.E. Fund	57
	Capital Projects Funds	
	Combining Balance Sheet	59
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60
	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)	
	Capital Improvement Fund	61
	County Road Fund	63
	Forry Preserve Fund	64

Enterprise Funds	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenses and Changes in Retained Earnings	67
Combining Statement of Cash Flows	68
Fiduciary Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Expendable Trust Funds	71
General Fixed Assets Account Group	
Schedule of General Fixed Assets by Source	74
Schedule of General Fixed Assets by Category	75
Schedule of Changes in General Fixed Assets by Function and Activity	76

III STATISTICAL SECTION

General Governmental Expenditures by Function - Last Ten Years	S 1
General Governmental Revenues By Source - Last Ten Years	S 2
Property Tax Levies and Collections - Last Ten Years	S 3
Tangible Tax Collected - Last Ten Years	S 4
Assessed Valuations and Estimated True Values of Taxable Property - Last Ten Years	S 5
Property Tax Rates - Direct and Overlapping Governments - Last Ten Years	S 6
Computation of Legal Debt Margin	S 7
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita - Last Ten Years	S 8
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures - Last Ten Years	S 9
Computation of All Direct and Overlapping Debt	S 10
Demographic Statistics - Last Ten Years	S 11
Property Value and Construction Permits - Last Ten Years	S 12
Principal Taxpayers (Property Tax)	S 13
Principal Taxpayers (Income Tax)	S 14
Principal Employers	S 15
Miscellaneous Statistics	S 16

IV **OTHER INFORMATION**

Independent Auditors' Report on Compliance and on Internal Controls over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	93
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.	94-95
Schedule of Findings and Questioned Costs	96
Schedule of Federal Awards Expenditures	97
Notes to Schedule of Federal Awards Expenditures	98



INTRODUCTORY SECTION

City of Heath, Ohio

1287 Hebron Road
Heath, Ohio 43056

Daniel L. Dupps, Mayor
Phone (740) 552-1420

Keith Alexander, Auditor
Fax (740) 522-6324



Citizens with Pride

May 23, 2002

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

The City Auditor is pleased to present this Comprehensive Annual Financial Report for the City of Heath (the City) for the fiscal year ended December 31, 2002. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

The report is comprised of three major sections:

1. **The Introductory Section** includes this Letter of Transmittal which addresses the organization, accomplishments and operational structure of the City, a list of the Principal City Officials, and an Organizational Chart.
2. **The Financial Section** contains the City's general purpose financial statements, which include explanatory notes and provide an overview of the City's financial position and operating results; the Combining Financial Statements of the Individual Funds and Account Groups that provide detailed information to the General Purpose Financial Statements and the Report of the Independent Auditors.
3. **The Statistical Section** presents social, economic and historical data in a multi-year format, which can be used to identify financial trends and data relative to the fiscal capacity of the City.

The Reporting Entity

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

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

The City of Heath

The City of Heath continues to be a rapidly growing community located approximately twenty-five miles east of Ohio's capital city, Columbus, and is bounded on the north by the City of Newark, the county seat of Licking County. The City's elevation is approximately 830 feet above sea level. Its median temperatures are 75 degrees in summer and 30.2 degrees in winter. State highways 79, 16 and 13 serve as the City's major transportation arteries. Interstate highway I-70, that lies approximately 6 miles south, also serves the City. Heath's 10.5 square mile area serves a residential population of 8,527 and an estimated daytime population of 45,000. The daytime population is concentrated in the area of the Central Ohio Aerospace and Technology Center, the James Parkway Industrial Complex, Southgate Shopping Center, the Indian Mound Mall, and Cross Creek Shopping Center.

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

Historical areas in the City of Heath include Moundbuilder's Great Circle Park, the Davis-Shai House, the old Four Mile Lock, part of the Ohio Canal, and the recently acquired Forry Preserve. A unique collection of prehistoric Hopewell Indian artifacts is on display in the Ohio Indian Art Museum located at the "Great Circle". Additionally, the W. Thomas Huff Indian artifact collection can be seen at Heath City Hall.

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

Police Services

The police department was established in 1963 with a Chief and one full-time patrolman. The Heath Police department of today has twenty-one sworn officers, ten reserve officers, five full time and two part time dispatchers, and two clerks. The department is a progressive, service oriented agency that responds to approximately 14,000 calls for service a year. The department has seven marked patrol vehicles (two are 4-wheel drive) affording adequate protection to the citizens of Heath. The police force has a canine unit and four undercover detective cars at its disposal. It is responsible for protecting approximately eighty-six miles of roadway and a very densely developed commercial area including a regional shopping mall, numerous outlying businesses and several strip shopping centers. Due to its full service status, the police department is entirely self-sufficient and provides 24-hour protection to the citizens of the City. However, in an unusually demanding situation, the department can call upon the City of Newark and/or the Licking County Sheriff's Office for mutual-aid assistance.

The department personnel conduct a number of community service activities including the Drug Abuse Resistance Education (D.A.R.E.) program, a drug prevention program serving 4th and 5th grade students and Safety City, a safety program for small children. In July of 1997 the Heath Police Department became an internationally accredited law enforcement agency through the Commission on Accreditation for Law Enforcement Agencies (C.A.L.E.A.) of Fairfax, Virginia. A third re-accreditation process is scheduled for 2003. In July of 2000 HPD was re-accredited and continues to meet those rigorous standards of excellence.

Fire Services

The Heath Fire Department has served its community for 52 years, and currently operates two newer stations housing four structural pumpers, three ALS Medic units, a Walters ARFF truck, a 75" Snorkel Aerial, one 4X4 utility truck, a county Haz-Mat unit, county Foam response unit, and the county Water Rescue Trailer. The Snorkel unit, having served the community for 39 years, will be retired and replaced in April 2003, with a Pierce 100' Skyarm Aerial. The department services 10.5 square miles with 19 full time firefighter/paramedics, including the Chief. The department operates a three-platoon system working 24/48 hour shifts. Each shift is assigned a Captain, a Lieutenant, and four full time Firefighters/Paramedics. One additional part-time Firefighter/Paramedic supplements the shifts. The department operates under a mutual aid contract agreement with all Licking County departments. HFD responds to over 1,800 EMS and fire calls annually. The Heath Fire Department is part of the county hazardous materials and water rescue teams. A 1-mill, levy guarantees approximately \$227,000 in revenue each year for equipment and operating costs. Another 1.5 mill continuing levy provides about \$337,000 for personnel. The department is actively involved in doing fire inspections, fire prevention in the schools, safety classes, and CPR for the community.

Water and Wastewater Services

Water is treated by the City's municipal water plant located on Dorsey Mill Road and delivered through the distribution system, which is also owned and maintained by the City. Current flow through the plant averages 1.2 million gallons per day (MGD). Construction was completed to upgrade the water plant, which doubled the treatment capacity of the plant from 2 MGD to 4 MGD. The 1998 upgrade added a 500,000 gallon clear well to increase storage capacity to 2.38 million gallons. The upgrade also included a renovation of the laboratory making it one of only two labs in Licking County certified in bacteria testing. In addition, the upgrade included a Supervisor Control And Data Acquisition (SCADA) system, reducing manpower required to check remote system sites. There are seven employees involved in the production and distribution of water for the City.

Heath's drinking water was voted the best drinking water in the State of Ohio in 1994. Unlike most cities, Heath's drinking water comes from deep underground aquifers, instead of the less desirable surface run-off source. The city water is softened to 100 mg/l making home water softeners unnecessary.

The wastewater plant and collection system is owned and maintained by the City. The ten million dollar facility, completed in 1992, has a capacity of 1.75 MGD and with a peak flow of 7 MGD. The federal sludge regulations have forced the operations of the plant to become more efficient and to produce a higher quality product, which has less negative impact on the environment. In 1998, the digesters were converted from anaerobic to more efficient aerobic digesters and a new pump station was installed in the Forest Hills subdivision. Planning is well under way for a solids handling improvement to the tune of about \$2 million dollars. A new belt press, and expanded sludge storage is planned, increasing storage from 60 to 120 days. There are eight employees involved in the collection system and operation of the plant.

Street Department Services

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

The Street Department has a total of eleven full-time employees including the Street Superintendent. The Department is responsible for maintenance and repair of approximately 86 miles of streets and highways in the City. Most known in Licking County for very effective roadway snow and ice removal, other responsibilities include storm sewer and catch basin maintenance and repair, traffic signal operation, road lines and markings, sign installation and maintenance, mowing and maintenance of extensive right-of-ways, crack sealing and asphalt repairs and the annual leaf pickup program.

The Department maintains a fleet of approximately fourteen vehicles and ten pieces of heavy equipment. 2002 brought with it a new Diesel Dump Truck, with brine tank and blade. The Department also conducts annual vehicle inspections of all other City owned vehicles to insure the reliability of the vehicles and the safety of City employees.

Building and Zoning Services

The Building and Zoning Department is responsible for overseeing community development, maintaining the Land Use and Thoroughfare Plan, participation in the local Metropolitan Planning Organization and maintaining the City's Geographic Information System. The department is also responsible for the review and approval of development plans, for the issuance of zoning permits, for general inspections for compliance and enforcement of zoning and utility ordinances and for complaint investigation and resolution. Additionally, the department routinely performs special assignments as directed by the mayor.

The Parks and Recreation Services

2002 was a banner year for Heath Parks and Recreation, with two headliners. The opening of a dramatically re-furbished Municipal Pool Complex, and the acquisition of the Forry Preserve headlined for 2002.

Local newspapers claiming, "It's more than a pool, it's an adventure", helped sell \$60,000 in pre-season memberships in April alone. By summers end, pool revenues climbed to \$545,000, with a net gain of \$170,000. All previous attendance records were shattered. Specifically, the complex doubled in size, adding the 660' Layzee River, two gigantic 30' slides, two additional drop slides, the SCS Interactive/Play System, new filter building, auxiliary concession stand, palm trees, and funbrellas. During 2002, attendance averaged 2,200 daily, and peaked at 3,750.

Mostly funded by a grant, the Forry Preserve includes 229 acres of natural green-space protected for generations to come. The beautiful hillside acreage includes abundant wildlife, and pre-historically significant Indian mounds thought to be used to perform the site work for the incredible geometrical earthworks on the plains of Heath and Newark below.

Along with the new park, the Riverfront Walkway/Bikeway Corridor was expanded from Hoback Park to Heath High School, and from the Irving-Wick Drive East bridge to the River Oaks subdivision. A new shelter house with parking was completed at the south entrance of the Riverfront Walkway. Additionally, new playground equipment was added to Hitchcock Park in 2002.

Last years lead story, the Davis-Shai House, moved by the City of Heath on April 16th, 1996, not only serves as the city's oldest historic treasure, but also as a Licking County cultural arts center and rental

facility. The Heath Community Arts Council that manages the day to day operations of this Victorian home offers Victorian teas, Friday lunches, and a wide variety of cultural programs to the general public. The facility's ambience encourages such events as corporate meetings, small private parties, and weddings. Perhaps the most attended event is December's Victorian Christmas, with incredible holiday decorative atmosphere, horse drawn carriage rides, seasonal songs, and generally warm holiday feelings. In 2001, the house received a first place facility award from Ohio Parks and Recognition and Downtown, Ohio, Inc. Since its grand re-opening in 2001, the Davis-Shai house has served over 5,000 people each year, and the Licking County Convention & Visitors Bureau ranks it the 19th most frequented cultural facility in Licking County.

The City's first venture into indoor recreational programs occurred in 1998 when the Department of Parks and Recreation opened the Heath Community Recreation and Fitness Center located at 771 Irving-Wick W. The facility offers Nautilus equipment, free weights, cardiovascular equipment, saunas, Jacuzzi, tanning beds, aerobic classes and numerous opportunities for fitness. A racquetball court and large gymnasium also provide ample opportunities for sports activities and community events.

Administrative Services

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

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

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

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

Labor Relations

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

<u>Number of Employees</u>	<u>Employee Classification</u>
82	Classified employees
9	Elected officials
5	Appointed officials

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

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

<u>Bargaining Unit</u>	<u>Agreement Expiration Date</u>	<u>Number of Employees Covered</u>
Fraternal Order of Police, Ohio Labor Council (Dispatchers)	March 31, 2005	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2005	18
International Association of Firefighters Local 2930	April 17, 2005	18
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2005	37

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

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

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

ECONOMIC OUTLOOK

Over the last twenty years, the City of Heath has become the center of commercial growth in Licking County. Between 1985 and 2003, the number of Heath businesses has increased over 105%! Within the same time frame, residential growth increased by 30%. Cross Creek Shopping Center, the Indian Mound Mall and Southgate Shopping Center as well as large establishments such as Wal-Mart, Target and Best Buy draw shoppers from surrounding communities. Restaurant chains including Cici's, Pizza Hut, Donatos, Red Lobster, Applebee's, Ruby Tuesday's, Quiznos, Olive Garden, Bob Evans and Tumbleweed have located in the heart of the commercial development to meet the needs of those who have come to shop at the various retail stores. Although retail sales around the country were sluggish in 2002, Heath retailers have held their own. The conversion of the former Lowe's store to a Hobby Lobby has been completed, and the construction of a Gordon's Food Service is scheduled to open in 2003.

Industrial employment is expected to remain relatively constant. The Newark Air Force Base (NAFB) closed as a government facility in October of 1996. Ownership of the facility, renamed the Central Ohio Aerospace and Technology Center, was assumed by the Heath-Newark-Licking County Port Authority. The City is represented on the board of the port authority through the appointment of three of the nine board members. In 1999, Boeing North America was awarded a fifteen-year contract by the United States Government for the repair of military navigational systems. The Bionetics Corporation was awarded a twenty-year contract in 2001 by the Air Force for its metrology calibration workload. Independent contractors, Southtowne Kids and Aramark Services, are operating the existing daycare center and cafeteria. The Heath-Newark-Licking County Port Authority acquired an additional two hundred and fifty acres of adjacent property for industrial development.

Overall, the City remains positive about its expected growth in both the commercial and residential sectors and its continued solid economic base.

MAJOR INITIATIVES

2002 was a project year most significantly defined by the number of grants city officials secured. 2003 won't be different, as Heath's largest grant effort ever will come to fruition. The State Route 79 Widening Project has estimated costs to be around \$15 million dollars. In addition, what is now called County Road 00-0000, the Beaver Run Road Connector, began with a 100% federal grant for the engineering costs at \$500,000. These two projects will extend from planning in 2002, to construction in 2003 and 2004. When completed, \$20 million dollars in federal grants will have been received. The Heath City Auditor believes it appropriate to recognize most significantly U. S. Congressman Bob Ney, as well as Heath Mayor Daniel L. Dupps, for their diligence. These projects would not have happened without them.

Grants specific to 2002 include the \$500,000 indicated above for the Beaver Run Road Connector, \$178,630 for the Heath High School to Hoback Park bike path extension, \$336,657 for 229 acres called the Forry Preserve, \$24,108 for the Parking Lot/Shelter House at the south end of Hoback Park, \$235,792 for the Irving-Wick Drive Bridge improvement project, \$395,873 for the North SR 79 water line improvement, and \$803,683 for the Hopewell Drive improvement project. Added all up, and not counting the millions for the SR 79 widening and Beaver Run Extension, grant awards were \$2,474,743. Local grant matching funds of \$723,933 gave way to an impressive benefit amount of \$3,198,676.

The 2.2 million dollar pool complex improvement project was also completed in 2002. Of this sum, the city bonded \$1,850,000. After all expenses, and bond debt service payment, the pool realized a profit of approximately \$100,000. Using the pool fund, plans are underway to expand and rehab the pool's parking lot to be completed by pool opening 2003.

Some initiatives for 2002 that did not include grant funds were the installation of 4 weather warning sirens at \$6,000, the water line improvement on Blackfoot Trail at \$127,892, the Forest Hills phase III storm water improvements at \$44,679, the sludge lagoon repair and sludge removal project at \$84,700, the annual street paving project at \$191,518, and the Fieldpoint Road curb replacement project at \$69,426.

Plans for 2003 include:

- | | |
|------------|--|
| Street | <ul style="list-style-type: none">• State Route 79 Urban re-paving @ \$790,000, Heath pays 20%• Franklin Ave./Irving Wick intersection upgrade, Heath pays \$40,000 |
| Water | <ul style="list-style-type: none">• Acquire property for well-field protection @ \$50,000• New well number 10 @ South Fork @ \$175,000• Raw Water Line to plant @ \$200,000• ¾ ton utility truck @ \$24,000 |
| Wastewater | <ul style="list-style-type: none">• Sludge handling improvements @ \$1,940,000• SR 79 Water/Wastewater project @ \$1,750,000• 2 generators for Hopewell Dr/forest Hills @ \$50,000• SCADA communications @ Woodlands/Fox Run/James Pky @ \$18,000 |
| Parks | <ul style="list-style-type: none">• Pool parking lot improvement @ \$265,000 (pool fund) |
| Fire | <ul style="list-style-type: none">• SCBA/station equipment & radios (Levy I) \$80,000 |
| Zoning | <ul style="list-style-type: none">• R.O.W. acquisition for Heath Rd./Dorsey Mill Rd. \$150,000 |

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

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

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

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

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

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

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

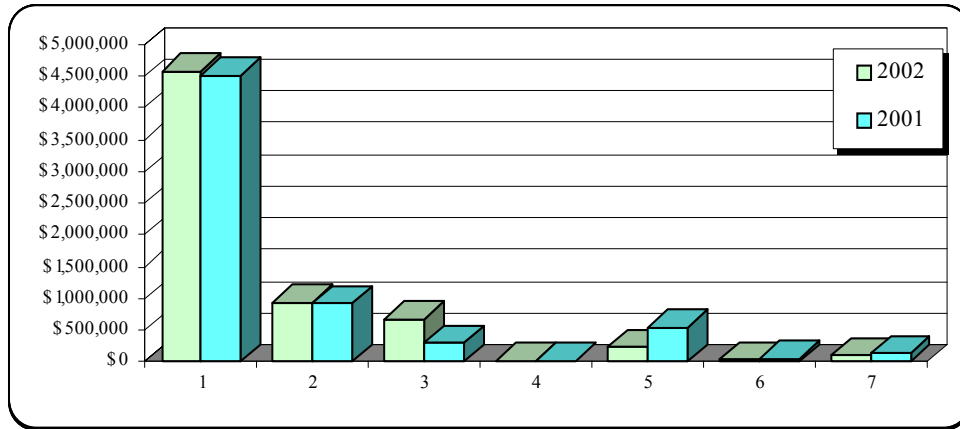
- Personal services
- Contractual Services
- Other Expenditures
- Transfers
- Materials and Supplies
- Capital Outlay
- Debt Service
 - Principal
 - Interest

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

General Government Functions

The following schedules present a summary of general governmental revenues (including general, special revenue and debt service funds) for the year ended December 31, 2002, the percentage of each source to total revenues, and the amount of increase or decrease in relation to the prior year’s revenue.

	Revenue Source	2002 Total	Percent of Total	2001 Total	Increase (Decrease) over 2001
1.	Taxes	\$4,580,012	69.16%	\$4,513,910	\$66,102
2.	Intergovernmental Revenues	944,005	14.25%	926,760	17,245
3.	Charges for Services	679,393	10.26%	305,467	373,926
4.	Licenses and Permits	23,861	0.36%	23,865	(4)
5.	Investment Earnings	231,096	3.49%	551,748	(320,652)
6.	Fines and Forfeitures	50,156	0.76%	55,211	(5,055)
7.	All Other Revenues	114,070	1.72%	137,024	(22,954)
	Total	<u>\$6,622,593</u>	<u>100.00%</u>	<u>\$6,513,985</u>	<u>\$108,608</u>



Revenue Narrative

General government revenues totaled \$6,622,593 for 2002, an increase of \$108,608 over 2001. The income tax, the largest tax source, increased in total by 2.16% or approximately \$98,823 in 2002.

Intergovernmental revenues consist primarily of shared license and gasoline tax revenues, local government assistance provided by the State of Ohio through reimbursement for real and personal property tax reductions, inheritance taxes and various other federal and state grants.

Charges for Services increased by \$373,926 over 2001 due primarily to the opening of the City's water park.

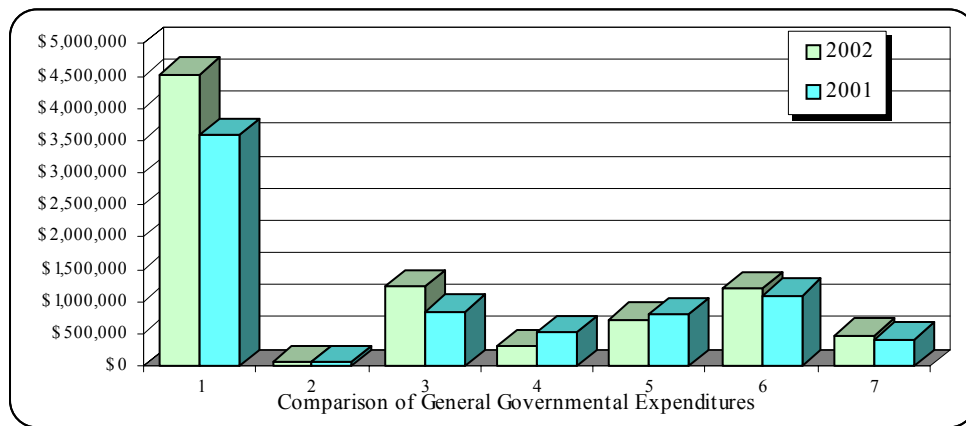
Investment earnings as a source of revenue do not lend well to year-to-year comparisons. Percentage increases or decreases when compared to prior years are not necessarily indicative of future year estimates. Investment earnings decreased \$320,652 compared to 2001. The decrease was primarily due to smaller invested balances and diminished interest rates.

All other revenue is a miscellaneous category that includes a variety of less significant revenue sources including miscellaneous rental income and donations.

The City of Heath's income tax was initially enacted July 1, 1967 at a rate of 1%. It was increased to its current rate of 1.5% in April of 1988. The tax applies to all wages, salaries, commissions and other compensation paid by employers and/or the net proceeds from the operation of a business profession or other enterprise activity. The collections have gone from \$815,000 in 1968, the first full year of the tax, to \$4,670,600 in 2002.

Expenditures for general governmental purposes (as previously defined) totaled \$8,510,133, an increase of \$1,221,456 or 16.8% over 2001. Expenditures for the major functions of the City, increases/(decreases) over 2001 and the percentage of the total are shown in the following table:

Expenditures	2002 Total	Percent of Total	2001 Total	Increase (Decrease) over 2001
1. Security of Persons and Property	\$4,529,031	53.22%	\$3,581,192	\$947,839
2. Public Health and Welfare Services	52,500	0.62%	52,500	0
3. Leisure Time Activities	1,227,590	14.42%	846,329	381,261
4. Community Environment	297,688	3.50%	511,615	(213,927)
5. Transportation	722,310	8.49%	795,913	(73,603)
6. General Government	1,207,949	14.19%	1,094,494	113,455
7. Debt Service	473,065	5.56%	406,634	66,431
Total	\$8,510,133	100.00%	\$7,288,677	\$1,221,456



Expenditure Narrative

Security of persons and property includes primarily the cost of the operations of the police and fire departments, including dispatching. The majority of the increase in expenditures in 2002 is a result of the down payment made by the City to purchase a Pierce articulating boom fire truck.

Leisure time activities experienced an increase in expenditures of \$381,261. This increase is directly related to the costs associated with opening and operating the City's water park.

Community environment expenditures decreased by \$213,927 due to the completion of the Davis-Shai house renovations in 2001.

Transportation expenditures decreased during 2002 due to the late arrival of winter which resulted in reduced costs associated with snow removal during November and December as compared to 2001.

General government expenditures increased \$113,455 due primarily to costs associated with collective bargaining negotiations.

Debt Service expenditures increased in 2002 due to the issuance of debt for the swimming pool improvements.

Proprietary Operations

Enterprise Funds:

The City's enterprise operations include a water treatment plant and distribution system and a wastewater treatment facility and a collection system. The enterprise funds are supported by revenues derived from user charges.

Certain pertinent data related to the enterprise operations of the City is presented below.

	Total Assets	Total Equity	Net Income	Return on Assets	Return on Equity
Water	\$11,641,372	\$8,647,476	\$1,310,885	11.26%	15.16%
Sewer	8,355,151	3,626,104	361,774	4.33%	9.98%

Internal Service Fund:

The City's internal service fund consists of the financing required for the employee partially self-funded insurance program. Money is contributed by the City for the plan which is managed by a third-party administrator.

Fiduciary Operations

The Conn Memorial Trust Fund is used to account for funds left by the Conn family for the care and maintenance of John C. Geller Park. The fund is an expendable trust fund because the trust instrument did not require the preservation of the principal amount of the original gift. During 2002, the City received \$1,498 in interest earnings.

Debt Administration

The Debt Service fund accumulates resources for the payment of principal, interest and associated administrative costs on the City's general long-term debt. Resources are derived primarily from income tax revenues.

The total bonded debt of the City at December 31, 2002 was \$6,950,000, all of which was unvoted general obligation bonds.

The ratio of property tax supported general bonded debt to assessed value and the amount of bonded debt per capita are considered to be good indicators to municipal managers, citizens and investors in general governmental debt of the City's debt position. The City's debt position as of December 31, 2001, was as follows:

Overall Legal Debt Margin	\$23,732,335
Unvoted Legal Debt Margin	\$10,945,570
General Bonded Debt to Assessed Value	1.22%
General Bonded Debt per Capita	\$365.88

A more thorough presentation of the calculation of these figures is located in the statistical section of this report.

In addition, the City has obtained two loans from the Ohio Water Development Authority (OWDA) which were used to finance the construction of the wastewater treatment plant improvements. The loans are being repaid from the revenues of the wastewater fund. The principal amount of the loans at December 31, 2002 was \$4,572,900.

Cash Management

The City’s cash resources were invested as follows at December 31, 2002:

<u>Cash Resources</u>	<u>2002</u>	<u>%</u>
Cash	\$2,658,902	22%
STAR Ohio	9,555,189	78%
Total Resources	\$12,214,091	100%

The City earned interest on governmental fund investments of \$231,096 for the fiscal year 2002. Interest earned was allocated to the governmental funds. Interest of \$1,498 earned on the Conn Memorial Trust Fund was properly deposited to the trust and an additional \$16,087 in interest was earned on sewer fund investments and was allocated to the sewer fund.

At December 31, 2002, the City had bank balances of \$3,792,534 which were collateralized by pooled collateral. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

Risk Management

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

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

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

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

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

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

Health Insurance

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

Workers’ Compensation

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

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

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

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

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2001. This was the eighth year in a row the City received this award.

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

Public Disclosure

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

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

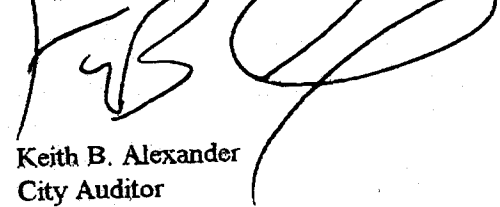
Acknowledgments

Sincere appreciation is extended to the individuals who have contributed their time and effort in gathering data for this report. I am indebted to the following staff members; Linda Richards, Assistant Auditor; Debbie Whitefield, Administrative Assistant; Wanda Dixon, Utility Billing; Lynn Hunt, Clerk of Council; Ann Gilbert, Tax Commissioner; and our Department Heads for the extra effort they put forth in the preparation of this report.

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

Also special thanks to the members of Heath City Council and Mayor Daniel L. Dupps whose support is necessary for the City of Heath to conform to reporting requirements established for municipal governments to maintain the sound financial position that the City has enjoyed for many years. Additionally, a special thanks to Carolyn Broyles, who retired mid year 2002 as City Auditor, for assisting in such a smooth transition for the new Auditor.

Respectfully,

A handwritten signature in black ink, appearing to read 'KB Alexander', with a large, stylized flourish extending to the right.

Keith B. Alexander
City Auditor

THE CITY OF HEATH, OHIO

LICKING COUNTY

**PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2002**

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

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

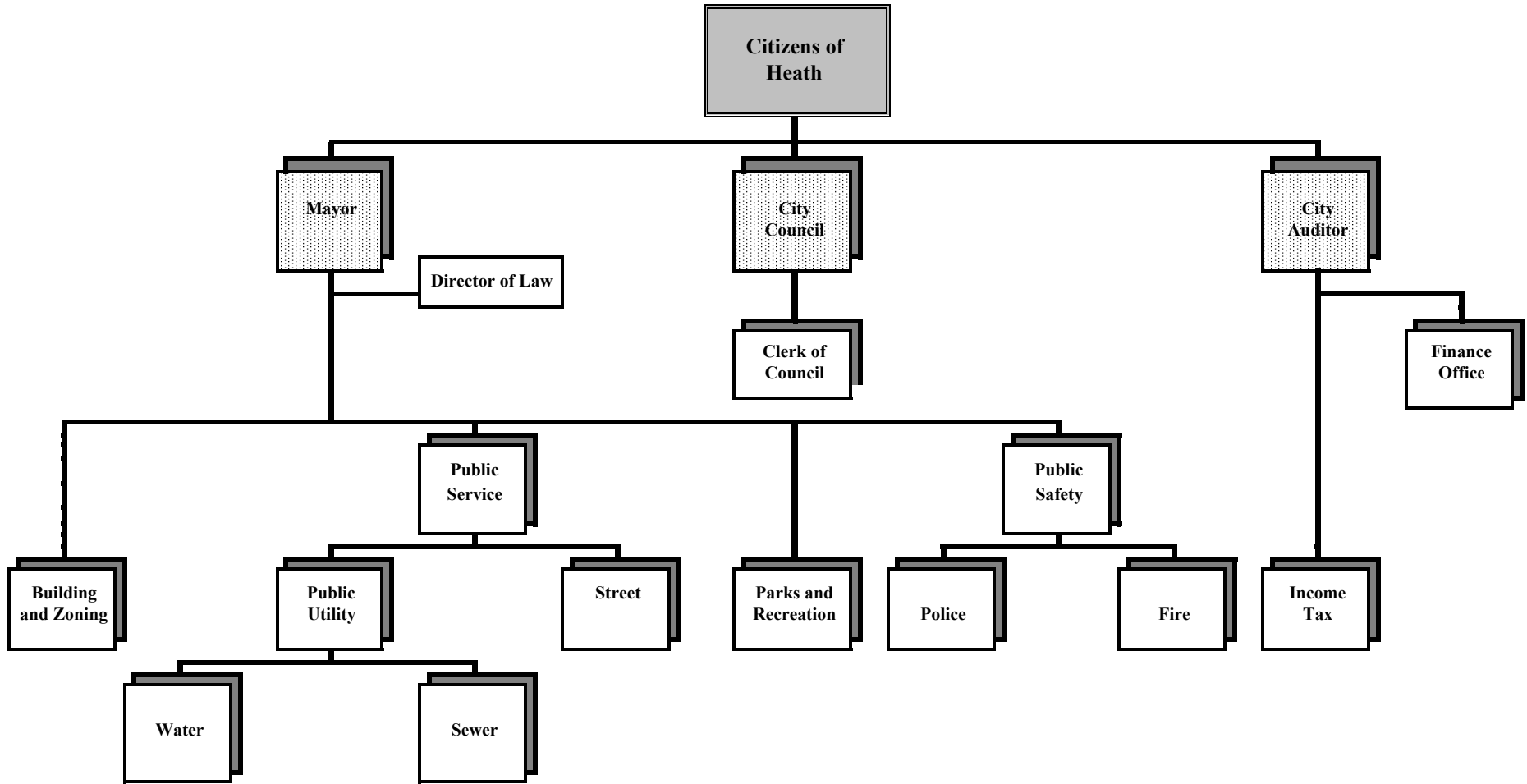
(A) \$100,000 Ohio Government Risk Management Plan 01/1/02 - 12/31/02

City Address:


Heath City Hall
1287 Hebron Road
Heath, Ohio 43056

The City of Heath, Ohio

Organizational Chart



- ixx -

 Elected Officials

Boards and Commissions

Parks and Recreation Board
 Air Pollution Control Board
 Board of Zoning and Building Appeals

Civil Service Commission
 Planning Commission
 Reuse Commission / Port Authority
 Charter Review Commission



FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general-purpose financial statements of the City of Heath as of and for the year ended December 31, 2002. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of City of Heath as of December 31, 2002, and the results of its operations and the cash flows of its proprietary funds 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 a report dated May 7, 2003, on our consideration of City of Heath's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements of the City, taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*", and is not a required part of the general purpose financial statements. The combining, individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 7, 2003



GENERAL PURPOSE FINANCIAL STATEMENTS

THE FOLLOWING GENERAL PURPOSE FINANCIAL STATEMENTS, ALONG WITH THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, PRESENT AN OVERVIEW OF THE CITY'S FINANCIAL POSITION AT DECEMBER 31, 2002 AND THE RESULTS OF OPERATIONS AND CASH FLOWS OF ITS PROPRIETARY FUNDS FOR THE YEAR THEN ENDED.

THE CITY OF HEATH, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

Governmental
Fund Types

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Assets and Other Debits:				
Assets:				
Cash and Cash Equivalents	\$1,918,562	\$1,332,045	\$895,960	\$4,248,532
Receivables (net of allowance for doubtful accounts)				
Taxes	955,027	771,298	67,166	134,334
Accounts	17,072	0	0	0
Intergovernmental Receivables	180,810	194,828	0	58,638
Advances to Other Funds	0	0	0	50,000
Inventory of Supplies at Cost	40,557	52,735	0	0
Prepaid Items	38,942	14,659	0	0
Restricted Assets:				
Cash with Fiscal Agent	0	67,116	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$3,150,970	\$2,432,681	\$963,126	\$4,491,504
Liabilities, Equity and Other Credits:				
Liabilities:				
Accounts Payable	\$62,297	\$53,153	\$0	\$107,690
Accrued Wages and Benefits	141,541	165,857	0	0
Intergovernmental Payable	2,026	0	0	0
Advances from Other Funds	0	50,000	0	0
Accrued Interest Payable	0	0	0	3,945
Deferred Revenue	721,608	926,382	7,998	15,997
General Obligation Notes Payable	0	0	0	2,000,000
Compensated Absences Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Installment Loans Payable	0	0	0	0
Ohio Water Development Authority Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	927,472	1,195,392	7,998	2,127,632
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	47,814	292,870	0	405,975
Reserved for Supplies Inventory	40,557	52,735	0	0
Reserved for Prepaid Items	38,942	14,659	0	0
Reserved for Debt Service	0	0	955,128	0
Unreserved	2,096,185	877,025	0	1,957,897
Total Equity and Other Credits	2,223,498	1,237,289	955,128	2,363,872
Total Liabilities, Equity and Other Credits	\$3,150,970	\$2,432,681	\$963,126	\$4,491,504

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF HEATH, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Fund	Expendable Trust Funds	General Fixed Assets	General Long-Term Obligations	
\$3,658,834	\$73,446	\$86,712	\$0	\$0	\$12,214,091
0	0	0	0	0	1,927,825
366,405	0	0	0	0	383,477
0	0	0	0	0	434,276
0	0	0	0	0	50,000
95,070	0	0	0	0	188,362
14,286	0	0	0	0	67,887
0	0	0	0	0	67,116
15,861,928	0	0	14,160,648	0	30,022,576
0	0	0	0	955,128	955,128
0	0	0	0	3,820,283	3,820,283
<u>\$19,996,523</u>	<u>\$73,446</u>	<u>\$86,712</u>	<u>\$14,160,648</u>	<u>\$4,775,411</u>	<u>\$50,131,021</u>
\$45,814	\$64,216	\$0	\$0	\$0	\$333,170
50,727	0	0	0	0	358,125
0	0	0	0	0	2,026
0	0	0	0	0	50,000
11,129	0	0	0	0	15,074
0	0	0	0	0	1,671,985
0	0	0	0	0	2,000,000
119,000	0	0	0	577,681	696,681
0	0	0	0	23,893	23,893
48,373	0	0	0	98,837	147,210
4,572,900	0	0	0	0	4,572,900
2,875,000	0	0	0	4,075,000	6,950,000
<u>7,722,943</u>	<u>64,216</u>	<u>0</u>	<u>0</u>	<u>4,775,411</u>	<u>16,821,064</u>
0	0	0	14,160,648	0	14,160,648
4,700,036	0	0	0	0	4,700,036
7,573,544	9,230	0	0	0	7,582,774
0	0	0	0	0	746,659
0	0	0	0	0	93,292
0	0	0	0	0	53,601
0	0	0	0	0	955,128
0	0	86,712	0	0	5,017,819
<u>12,273,580</u>	<u>9,230</u>	<u>86,712</u>	<u>14,160,648</u>	<u>0</u>	<u>33,309,957</u>
<u>\$19,996,523</u>	<u>\$73,446</u>	<u>\$86,712</u>	<u>\$14,160,648</u>	<u>\$4,775,411</u>	<u>\$50,131,021</u>



THE CITY OF HEATH, OHIO
COMBINED STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Funds	
Revenues:						
Taxes	\$3,373,231	\$610,370	\$596,411	\$1,192,823	\$0	\$5,772,835
Intergovernmental Revenues	463,952	480,053	0	1,847,548	0	2,791,553
Charges for Services	137,323	542,070	0	0	1,610	681,003
Licenses and Permits	23,861	0	0	0	0	23,861
Investment Earnings	213,897	10,596	6,603	0	1,498	232,594
Fines and Forfeitures	33,768	16,388	0	0	0	50,156
All Other Revenues	74,759	39,311	0	65,000	814	179,884
Total Revenues	<u>4,320,791</u>	<u>1,698,788</u>	<u>603,014</u>	<u>3,105,371</u>	<u>3,922</u>	<u>9,731,886</u>
Expenditures:						
Current:						
Security of Persons and Property	2,956,359	1,572,672	0	122,481	0	4,651,512
Public Health and Welfare Services	52,500	0	0	0	0	52,500
Leisure Time Activities	816,646	410,944	0	2,476,759	0	3,704,349
Community Environment	297,688	0	0	2,000	9,714	309,402
Basic Utility Services	0	0	0	242,676	0	242,676
Transportation	0	722,310	0	2,563,860	0	3,286,170
General Government	1,207,949	0	0	43,067	0	1,251,016
Debt Service:						
Principal Retirements	0	40,739	250,000	0	0	290,739
Interest and Fiscal Charges	0	50,938	131,388	3,945	0	186,271
Total Expenditures	<u>5,331,142</u>	<u>2,797,603</u>	<u>381,388</u>	<u>5,454,788</u>	<u>9,714</u>	<u>13,974,635</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,010,351)	(1,098,815)	221,626	(2,349,417)	(5,792)	(4,242,749)
Other Financing Sources (Uses):						
Proceeds from Capital Lease	16,210	0	0	0	0	16,210
Proceeds from General Obligation Bonds	0	0	0	1,850,000	0	1,850,000
Operating Transfers In	3,000	608,000	0	488,875	0	1,099,875
Operating Transfers Out	(608,000)	(3,000)	(106,010)	(1,278,639)	0	(1,995,649)
Total Other Financing Sources (Uses)	<u>(588,790)</u>	<u>605,000</u>	<u>(106,010)</u>	<u>1,060,236</u>	<u>0</u>	<u>970,436</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,599,141)	(493,815)	115,616	(1,289,181)	(5,792)	(3,272,313)
Fund Balance at Beginning of Year	3,825,805	1,744,472	839,512	3,653,053	92,504	10,155,346
Decrease in Inventory Reserve	(3,166)	(13,368)	0	0	0	(16,534)
Fund Balance at End of Year	<u>\$2,223,498</u>	<u>\$1,237,289</u>	<u>\$955,128</u>	<u>\$2,363,872</u>	<u>\$86,712</u>	<u>\$6,866,499</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF HEATH, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$3,323,709	\$3,382,108	\$58,399	\$610,250	\$610,370	\$120
Intergovernmental Revenues	438,300	458,587	20,287	461,050	468,104	7,054
Charges for Services	115,300	137,323	22,023	542,855	542,070	(785)
Licenses and Permits	19,650	23,861	4,211	0	0	0
Investment Earnings	190,000	213,897	23,897	10,200	10,596	396
Fines and Forfeitures	30,250	33,404	3,154	17,499	17,538	39
All Other Revenues	2,100	74,759	72,659	37,529	39,311	1,782
Total Revenues	4,119,309	4,323,939	204,630	1,679,383	1,687,989	8,606
Expenditures:						
Current:						
Security of Persons and Property	3,105,487	2,951,336	154,151	1,847,698	1,758,116	89,582
Public Health and Welfare Services	55,000	52,500	2,500	0	0	0
Leisure Time Activities	971,600	845,683	125,917	530,829	416,609	114,220
Community Environment	340,054	303,368	36,686	0	0	0
Basic Utility Services	0	0	0	0	0	0
Transportation	0	0	0	981,776	805,023	176,753
General Government	1,477,677	1,214,694	262,983	0	0	0
Debt Service:						
Principal Retirement	0	0	0	40,739	40,739	0
Interest and Fiscal Charges	0	0	0	72,949	50,938	22,011
Total Expenditures	5,949,818	5,367,581	582,237	3,473,991	3,071,425	402,566
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,830,509)	(1,043,642)	786,867	(1,794,608)	(1,383,436)	411,172
Other Financing Sources (Uses):						
Proceeds from General Obligation Note	0	0	0	0	0	0
Proceeds from General Obligation Bonds	0	0	0	0	0	0
Operating Transfers In	0	3,000	3,000	608,000	608,000	0
Operating Transfers Out	(608,000)	(608,000)	0	(3,000)	(3,000)	0
Advances In	0	0	0	50,000	50,000	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(608,000)	(605,000)	3,000	655,000	655,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,438,509)	(1,648,642)	789,867	(1,139,608)	(728,436)	411,172
Fund Balance at Beginning of Year	3,391,953	3,391,953	0	1,667,402	1,667,402	0
Prior Year Encumbrances	91,855	91,855	0	52,867	52,867	0
Fund Balance at End of Year	\$1,045,299	\$1,835,166	\$789,867	\$580,661	\$991,833	\$411,172

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF HEATH, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

<i>Debt Service Fund</i>			<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$587,322	\$598,187	\$10,865	\$1,174,645	\$1,196,374	\$21,729	\$5,695,926	\$5,787,039	\$91,113
0	0	0	1,572,487	1,856,410	283,923	2,471,837	2,783,101	311,264
0	0	0	0	0	0	658,155	679,393	21,238
0	0	0	0	0	0	19,650	23,861	4,211
6,603	6,603	0	0	0	0	206,803	231,096	24,293
0	0	0	0	0	0	47,749	50,942	3,193
0	0	0	65,000	65,000	0	104,629	179,070	74,441
593,925	604,790	10,865	2,812,132	3,117,784	305,652	9,204,749	9,734,502	529,753
0	0	0	130,870	125,025	5,845	5,084,055	4,834,477	249,578
0	0	0	0	0	0	55,000	52,500	2,500
0	0	0	2,784,632	2,735,947	48,685	4,287,061	3,998,239	288,822
0	0	0	2,000	2,000	0	342,054	305,368	36,686
0	0	0	280,489	255,118	25,371	280,489	255,118	25,371
0	0	0	2,921,763	2,919,557	2,206	3,903,539	3,724,580	178,959
0	0	0	43,355	43,067	288	1,521,032	1,257,761	263,271
310,000	220,000	90,000	0	0	0	350,739	260,739	90,000
329,971	267,398	62,573	0	0	0	402,920	318,336	84,584
639,971	487,398	152,573	6,163,109	6,080,714	82,395	16,226,889	15,007,118	1,219,771
(46,046)	117,392	163,438	(3,350,977)	(2,962,930)	388,047	(7,022,140)	(5,272,616)	1,749,524
0	0	0	2,000,000	2,000,000	0	2,000,000	2,000,000	0
0	0	0	1,850,000	1,850,000	0	1,850,000	1,850,000	0
0	0	0	488,875	488,875	0	1,096,875	1,099,875	3,000
0	0	0	(1,278,639)	(1,278,639)	0	(1,889,639)	(1,889,639)	0
0	0	0	0	0	0	50,000	50,000	0
0	0	0	(50,000)	(50,000)	0	(50,000)	(50,000)	0
0	0	0	3,010,236	3,010,236	0	3,057,236	3,060,236	3,000
(46,046)	117,392	163,438	(340,741)	47,306	388,047	(3,964,904)	(2,212,380)	1,752,524
778,568	778,568	0	1,532,708	1,532,708	0	7,370,631	7,370,631	0
0	0	0	2,168,161	2,168,161	0	2,312,883	2,312,883	0
\$732,522	\$895,960	\$163,438	\$3,360,128	\$3,748,175	\$388,047	\$5,718,610	\$7,471,134	\$1,752,524

THE CITY OF HEATH, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Charges for Services	\$2,892,386	\$494,998	\$3,387,384
Other Operating Revenues	184,726	23,262	207,988
Total Operating Revenues	<u>3,077,112</u>	<u>518,260</u>	<u>3,595,372</u>
<u>Operating Expenses:</u>			
Personal Services	1,033,127	536,872	1,569,999
Materials and Supplies	266,799	0	266,799
Contractual Services	810,344	0	810,344
Depreciation	778,588	0	778,588
Total Operating Expenses	<u>2,888,858</u>	<u>536,872</u>	<u>3,425,730</u>
Operating Income (Loss)	188,254	(18,612)	169,642
<u>Non-Operating Revenues (Expenses):</u>			
Capital Contributions	953,500	0	953,500
Interest Earnings	16,087	0	16,087
Interest and Fiscal Charges	(379,539)	0	(379,539)
Loss on Disposal of Fixed Assets	(1,417)	0	(1,417)
Total Non-Operating Revenues (Expenses)	<u>588,631</u>	<u>0</u>	<u>588,631</u>
Income (Loss) Before Operating Transfers	776,885	(18,612)	758,273
<u>Operating Transfers:</u>			
Operating Transfers In	895,774	0	895,774
Total Operating Transfers	<u>895,774</u>	<u>0</u>	<u>895,774</u>
Net Income (Loss)	1,672,659	(18,612)	1,654,047
Retained Earnings at Beginning of Year	5,900,885	27,842	5,928,727
Retained Earnings at End of Year	<u>\$7,573,544</u>	<u>\$9,230</u>	<u>\$7,582,774</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF HEATH, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise Funds	Internal Service Fund	Totals (Memorandum Only)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$2,902,222	\$494,998	\$3,397,220
Cash Payments for Goods and Services	(1,294,743)	0	(1,294,743)
Cash Payments to Employees	(1,015,854)	(557,056)	(1,572,910)
Other Operating Cash Receipts	184,726	23,262	207,988
Net Cash Provided (Used) by Operating Activities	<u>776,351</u>	<u>(38,796)</u>	<u>737,555</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In from Other Funds	895,774	0	895,774
Net Cash Provided by Noncapital Financing Activities	<u>895,774</u>	<u>0</u>	<u>895,774</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on General Obligation Bonds	(120,000)	0	(120,000)
Acquisition and Construction of Assets	(72,087)	0	(72,087)
Principal Paid on Ohio Water Development Authority Loans	(411,308)	0	(411,308)
Principal Paid on Installment Loans	(22,469)	0	(22,469)
Interest Paid on All Debt	(380,143)	0	(380,143)
Net Cash Used by Capital and Related Financing Activities	<u>(1,006,007)</u>	<u>0</u>	<u>(1,006,007)</u>
Cash Flows from Investing Activities:			
Receipts of Interest	16,087	0	16,087
Net Cash Provided by Investing Activities	<u>16,087</u>	<u>0</u>	<u>16,087</u>
Net Increase (Decrease) in Cash and Cash Equivalents	682,205	(38,796)	643,409
Cash and Cash Equivalents at Beginning of Year	2,976,629	112,242	3,088,871
Cash and Cash Equivalents at End of Year	<u>\$3,658,834</u>	<u>\$73,446</u>	<u>\$3,732,280</u>
Reconciliation of Operating Income (Loss) to Net Cash			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$188,254	(\$18,612)	\$169,642
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	778,588	0	778,588
Changes to Assets and Liabilities:			
Decrease in Accounts Receivable	9,836	0	9,836
Increase in Inventory	(37,362)	0	(37,362)
Increase in Prepaid Items	(6,004)	0	(6,004)
Decrease in Accounts Payable	(174,774)	(20,184)	(194,958)
Increase in Accrued Wages and Benefits Payable	6,955	0	6,955
Increase in Compensated Absences Payable	10,858	0	10,858
Total Adjustments	<u>588,097</u>	<u>(20,184)</u>	<u>567,913</u>
Net Cash Provided (Used) by Operating Activities	<u>\$776,351</u>	<u>(\$38,796)</u>	<u>\$737,555</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2002, the Water Fund received \$953,500 of capital assets contributed from other funds.

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF HEATH, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2002 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

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

Debt Service Fund - This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest other than those accounted for in the proprietary funds.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

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

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

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City created the Self Insurance Internal Service Fund to pay employee health insurance claims and life insurance premiums.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Trust Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains three expendable trust funds. The expendable trust funds are accounted for and reported similarly to governmental funds.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt of the City except that accounted for in the proprietary funds.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Property taxes measurable as of December 31, 2002 but which are not intended to finance 2002 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

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

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

D. Budgetary Process

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

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

1. Tax Budget

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

3. Appropriations

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

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$1,599,141)	(\$493,815)	\$115,616	(\$1,289,181)
Increase (Decrease):				
Accrued Revenues at December 31, 2002 received during 2003	(431,301)	(106,860)	(59,168)	(226,975)
Accrued Revenues at December 31, 2001 received during 2002	434,449	96,061	60,944	189,388
Accrued Expenditures at December 31, 2002 paid during 2003	205,864	269,010	0	111,635
Accrued Expenditures at December 31, 2001 paid during 2002	(168,356)	(148,803)	0	(237,204)
2001 Prepays for 2002	32,181	10,842	0	0
2002 Prepays for 2003	(38,942)	(14,659)	0	0
Issuance of GO Notes	0	0	0	2,000,000
Outstanding Encumbrances	(83,396)	(340,212)	0	(500,357)
Budget Basis	(\$1,648,642)	(\$728,436)	\$117,392	\$47,306

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

During fiscal year 2002, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider their share of equity in STAR Ohio to be cash equivalents. (See Note 3, "Cash, Cash Equivalents and Investments.")

F. Investments

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

The City has invested funds in the STAR Ohio during 2002. 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, 2002.

G. Inventory

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

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)1. Property, Plant and Equipment - General Governmental Purposes (Continued)

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

General fixed asset values were initially determined at December 31, 1992 by appraisal utilizing the services of Industrial Appraisal Associates. Land and proprietary infrastructure were valued by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The City has elected not to record depreciation in the General Fixed Assets Account Group.

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received.

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

<u>Description</u>	<u>Estimated Lives (Years)</u>
Buildings	15 – 40
Improvements Other Than Buildings	50
Machinery, Equipment, Furniture and Fixtures	5 – 10

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

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

J. Compensated Absences

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

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

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the water and sewer enterprise funds when earned, and the related liability is reported within the fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

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

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers during 2002.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for inventories of supplies and materials, prepaid items and encumbrances (excluding encumbered amounts reflected as payables).

N. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues is recorded as an operating expense and closed along with other operating expenses directly to retained earnings. Capital contributions received after December 31, 2000 are recorded as revenue in the proprietary funds.

O. Total Columns on Combined Financial Statements - Overview

Total columns on the "Combined Financial Statements - Overview" are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2002 of \$58,156 in the Fire Pension Fund and \$55,055 in the Police Pension Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. Deficits do not exist under the budgetary/cash basis of accounting. Operating transfers are provided when cash is required, not when accruals occur.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

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

Deposits:

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

Investments:

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

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

At year end the carrying amount of the City's deposits was \$2,658,902 and the bank balance was \$3,792,534. Federal depository insurance covered \$100,000 of the bank balance, and all remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 2002 are summarized below:

<u>Non-Categorized Investments</u>	<u>Fair Value</u>
STAR Ohio	\$9,555,189

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$67,116 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$12,214,091	\$0
Investments:		
STAR Ohio	(9,555,189)	9,555,189
Per GASB Statement No. 3	<u>\$2,658,902</u>	<u>\$9,555,189</u>

* Does not include Cash with Fiscal Agent

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the City and used in business. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2002 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2002 levy was based was \$255,735,300. This amount constitutes \$204,992,840 in real property assessed value, \$6,181,220 in public utility assessed value and \$44,561,240 in tangible personal property assessed value.

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

B. Income Tax

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

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

NOTE 5 - RECEIVABLES

Receivables at December 31, 2002 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

NOTE 6 - TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2002:

Fund	Transfer In	Transfer Out
General Fund	\$3,000	\$608,000
Special Revenue Funds:		
Street Construction, Maintenance and Repair Fund	400,000	0
Swimming Pool Fund	13,000	0
Fire Pension Fund	73,000	0
Police Pension Fund	122,000	0
Enforcement and Education Fund	0	3,000
Total Special Revenue Funds	<u>608,000</u>	<u>3,000</u>
Debt Service Fund:		
General Obligation Debt Service Fund	0	106,010
Capital Projects Funds:		
Capital Improvement Fund	0	1,278,639
Forry Preserve Fund	488,875	0
Total Capital Projects Funds	<u>488,875</u>	<u>1,278,639</u>
Enterprise Fund:		
Water Fund	665,774	0
Wastewater Fund	230,000	0
Total Enterprise Funds	<u>895,774</u>	<u>0</u>
Totals	<u>\$1,995,649</u>	<u>\$1,995,649</u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Advances to/from Other Funds	Advances to	Advances from
Special Revenue Fund:		
Fire Levy Fund	\$0	\$50,000
Capital Projects Fund:		
Capital Improvement Fund	50,000	0
Totals	<u>\$50,000</u>	<u>\$50,000</u>

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by category of changes in general fixed assets:

Category	December 31, 2001	Additions	Deletions	December 31, 2002
Land	\$672,686	\$454,000	\$0	\$1,126,686
Buildings	4,752,220	21,378	(14,400)	4,759,198
Improvements Other Than Buildings	589,012	2,200,619	0	2,789,631
Machinery and Equipment	5,210,314	580,444	(318,877)	5,471,881
Construction in Progress	678,453	13,252	(678,453)	13,252
Totals	\$11,902,685	\$3,269,693	(\$1,011,730)	\$14,160,648

Schedule of General Fixed Assets at December 31, 2002:

General Fixed Assets	Investment in General Fixed Assets	
	Assets Acquired Prior to 1990	\$182,594
	General Fund	1,574,968
	Special Revenue Funds	1,886,617
Land	Capital Projects Funds	8,994,511
Buildings	Proprietary Funds	10,282
Improvements Other Than Buildings	Fiduciary Funds	23,507
Machinery and Equipment	Grants	445,000
Construction in Progress	Donations	1,043,169
Total	Total	\$14,160,648

B. Proprietary Fixed Assets

Summary by Category at December 31, 2002:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$397,374	\$0	\$397,374
Buildings and Improvements	13,697,086	(3,582,257)	10,114,829
Infrastructure	10,582,559	(5,790,534)	4,792,025
Machinery and Equipment	4,761,165	(4,207,215)	553,950
Construction in Progress	3,750	0	3,750
Property, Plant and Equipment	\$29,441,934	(\$13,580,006)	\$15,861,928

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were \$347,209, \$301,897 and \$228,771, respectively, which were equal to the required contributions for each year.

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$128,121.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**A. Ohio Public Employees Retirement System (the “Ohio PERS”) (Continued)**

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System’s latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2002, 2001 and 2000 were \$204,440, \$193,503 and \$170,843 for police and \$218,965, \$192,623 and \$156,248 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**B. Ohio Police and Fire Pension Fund (the “OP&F Fund”) (Continued)**

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

The portion of the 2002 covered payroll that was used to fund postemployment health care benefits was \$81,252 representing 7.75% of covered payroll for police and \$70,707 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 10 – COMPENSATED ABSENCES

The City accrues a liability for accumulated unpaid sick, vacation, and compensatory time when earned by employees. Employees earn sick and vacation leave at varying rates based upon length of service. Upon retirement, an employee with ten or more years of service with the City will be compensated for their accumulated sick leave at a rate of 50% of the balance. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. The amount increased from a beginning year balance of \$521,733 to a year end balance of \$577,681.

At December 31, 2002, the total accumulated unpaid compensated absences time recorded in the General Long-Term Obligations Account Group was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	27,002	\$537,022
Vacation / Compensatory Time	<u>2,394</u>	<u>40,659</u>
Total	<u><u>29,396</u></u>	<u><u>\$577,681</u></u>

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2002 were as follows:

		Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002	
Enterprise Funds:					
General Obligation Bond:					
3.70 - 4.75%	Water Improvement	2018	\$2,995,000	(\$120,000)	\$2,875,000
Ohio Water Development Authority Loans:					
5.00%	Loan SRF-112	2012	4,072,815	(322,857)	3,749,958
5.00%	Loan SRF-114	2010	911,393	(88,451)	822,942
Subtotal OWDA Loans			4,984,208	(411,308)	4,572,900
Installment Loan Payable			70,842	(22,469)	48,373
Total Enterprise Long-Term Debt			\$8,050,050	(\$553,777)	\$7,496,273
General Long-Term Debt:					
General Obligation Bonds:					
3.70 - 4.25%	30th Street Improvement	2005	\$765,000	(\$180,000)	\$585,000
3.70 - 4.75%	Fire Station Improvement	2018	1,710,000	(70,000)	1,640,000
4.25 - 5.05%	Swimming Pool Improvement	2022	0	1,850,000	1,850,000
Total General Long-Term Debt			2,475,000	1,600,000	4,075,000
Other Long-Term Obligations:					
Installment Loan Payable			139,576	(40,739)	98,837
Capital Leases			10,859	16,210	23,893
Compensated Absences			521,733	55,948	577,681
Total Other Long-Term Obligations			672,168	28,243	700,411
Total General Long-Term Debt and Other Long-Term Obligations			\$3,147,168	\$1,628,243	\$4,775,411

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2002 were as follows:

Years	General Obligation Bonds		Installment Loans		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$465,000	\$318,445	\$66,524	\$6,835	\$432,331	\$223,111
2004	465,000	298,805	70,015	3,338	453,807	201,634
2005	480,000	278,745	10,671	306	476,992	178,450
2006	300,000	257,858	0	0	501,139	154,302
2007	305,000	244,467	0	0	526,509	128,932
2008-2012	1,745,000	1,009,350	0	0	2,182,122	240,239
2013-2017	2,180,000	569,083	0	0	0	0
2018-2022	1,010,000	115,122	0	0	0	0
Totals	\$6,950,000	\$3,091,875	\$147,210	\$10,479	\$4,572,900	\$1,126,668

Debt of the Enterprise Funds is recorded within the Enterprise Funds. All other debt is reflected in the General Long-Term Obligations Account Group.

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Defeased Debt

In August 1998, the City defeased \$1,300,000 of General Obligation Bonds for 30th Street Improvements dated November 1, 1989 (the "1989 Bonds") through the issuance of \$1,420,000 of General Obligation Bonds for 30th Street Improvements (the "1998 Bonds"). The net proceeds of the 1998 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which had an outstanding balance of \$575,000 at December 31, 2002 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

NOTE 12 - NOTES PAYABLE

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

General Obligation Note:	Balance December 31, 2001	Issued	(Retired)	Balance December 31, 2002
Capital Projects Fund:				
1.80% State Route 79 Improvement	\$0	\$2,000,000	\$0	\$2,000,000

NOTE 13 - CAPITAL LEASES

The City leases two copiers and a mailing machine under capital leases. The cost of the equipment obtained under the capital leases are included in the General Fixed Assets Account Group and the related liability in the General Long-Term Obligations Account Group. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2002:

Year Ending December 31,	Capital Leases
2003	\$7,355
2004	7,355
2005	7,355
2006	5,220
2007	2,274
Minimum Lease Payments	29,559
Less amount representing interest at the City's incremental borrowing rate of interest	(5,666)
Present value of minimum lease payments	\$23,893

NOTE 14 - RISK MANAGEMENT

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

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

The City has a group health insurance program for employees and their eligible dependents. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) are available to pay claims and administrative costs. The plan is administered by a third party administrator, Professional Claims Management, Inc., which monitors all claim payments. Excess loss coverage, provided by the Insurance Company of North America, becomes effective after \$10,000 per year per specific claim. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$64,216 reported in the fund at December 31, 2002 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount in fiscal years 2001 and 2002 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2001	\$82,219	\$552,106	(\$549,925)	\$84,400
2002	84,400	536,872	(557,056)	64,216

NOTE 15 - CONTINGENCIES

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

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are water treatment and distribution and wastewater collection and treatment. The key financial information for the year ended December 31, 2002 for these enterprise activities is indicated below:

	Water	Sewer	Total
Operating Revenues	\$1,101,208	\$1,975,904	\$3,077,112
Depreciation	334,623	443,965	778,588
Operating Income (Loss)	(171,367)	359,621	188,254
Operating Transfers In	665,774	230,000	895,774
Capital Contributions	953,500	0	953,500
Net Income	1,310,885	361,774	1,672,659
Property, Plant and Equipment:			
Additions	1,006,743	18,844	1,025,587
Deletions	1,574	0	1,574
Assets	11,641,372	8,355,151	19,996,523
Net Working Capital	1,961,122	2,065,803	4,026,925
Bonds and Loans Payable	2,875,000	4,621,273	7,496,273
Total Equity	8,647,476	3,626,104	12,273,580

NOTE 17 - CONTRIBUTED CAPITAL

During the year, contributed capital in the enterprise funds did not change. Balances at December 31, 2002 are as follows:

	Water Fund	Sewer Fund	Total
Balance at End of Year	<u>\$2,414,442</u>	<u>\$2,285,594</u>	<u>\$4,700,036</u>

NOTE 18 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2002, the City had the following significant contractual commitments outstanding:

Vendor	Remaining Contractual Commitment	Project
Rayco Excavating	\$559,764	State Route 79 Waterline
Malcom Pirnie	230,000	Sludge Handling Improvements
Pierce Manufacturing	187,648	Fire Pumper
Righter Co.	131,102	Irvingwick Dr. Bridge
Layton Excavating	93,802	Hopewell Dr. Improvements
E.L. Robinson	69,175	Property Purchase

***COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP
STATEMENTS AND SCHEDULES***

***THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE THE
GENERAL FUND, SPECIAL REVENUE FUNDS, CAPITAL PROJECTS FUNDS,
ENTERPRISE FUNDS, FIDUCIARY FUND TYPES AND THE GENERAL FIXED
ASSETS ACCOUNT GROUP.***



GENERAL FUND

The General Fund is used to account for government resources not accounted for in any other fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the Charter and/or the general laws of Ohio.

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2002

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$3,323,709	\$3,382,108	\$58,399
Intergovernmental Revenues	438,300	458,587	20,287
Charges for Services	115,300	137,323	22,023
Licenses and Permits	19,650	23,861	4,211
Investment Earnings	190,000	213,897	23,897
Fines and Forfeitures	30,250	33,404	3,154
All Other Revenues	2,100	74,759	72,659
Total Revenues	4,119,309	4,323,939	204,630
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Personal Services	1,262,669	1,239,791	22,878
Contractual Services	127,856	110,204	17,652
Materials and Supplies	45,509	34,565	10,944
Capital Outlay	38,000	36,578	1,422
Total Police	1,474,034	1,421,138	52,896
Communications:			
Personal Services	362,690	355,372	7,318
Contractual Services	52,030	41,015	11,015
Total Communications	414,720	396,387	18,333
Fire:			
Personal Services	915,194	901,446	13,748
Contractual Services	124,535	86,553	37,982
Materials and Supplies	89,096	74,266	14,830
Capital Outlay	22,908	6,592	16,316
Total Fire	1,151,733	1,068,857	82,876
Street Lighting:			
Contractual Services	65,000	64,954	46
Total Street Lighting	65,000	64,954	46
Total Security of Persons and Property	3,105,487	2,951,336	154,151
Public Health and Welfare Services:			
Health Department:			
Contractual Services	55,000	52,500	2,500
Total Public Health and Welfare Services	55,000	52,500	2,500

(Continued)

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2002

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Leisure Time Activities:			
Parks:			
Personal Services	440,785	435,938	4,847
Contractual Services	358,054	296,099	61,955
Materials and Supplies	77,458	51,947	25,511
Other Expenditures	5,500	1,360	4,140
Capital Outlay	89,803	60,339	29,464
Total Leisure Time Activities	971,600	845,683	125,917
Community Environment:			
Planning and Zoning:			
Personal Services	120,390	117,304	3,086
Contractual Services	184,884	168,060	16,824
Materials and Supplies	4,530	1,918	2,612
Other Expenditures	250	0	250
Capital Outlay	30,000	16,086	13,914
Total Community Environment	340,054	303,368	36,686
General Government:			
Mayor:			
Personal Services	69,500	69,489	11
Contractual Services	11,550	2,167	9,383
Materials and Supplies	1,500	392	1,108
Capital Outlay	4,000	0	4,000
Total Mayor	86,550	72,048	14,502
City Council:			
Personal Services	37,800	37,350	450
Contractual Services	5,575	302	5,273
Materials and Supplies	500	51	449
Capital Outlay	1,000	0	1,000
Total City Council	44,875	37,703	7,172
Law Director:			
Personal Services	96,605	96,554	51
Contractual Services	114,500	111,760	2,740
Total Law Director	211,105	208,314	2,791

(Continued)

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2002

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Clerk of Council:			
Personal Services	32,630	32,615	15
Contractual Services	750	0	750
Materials and Supplies	800	115	685
Capital Outlay	600	0	600
Total Clerk of Council	<u>34,780</u>	<u>32,730</u>	<u>2,050</u>
Auditor:			
Personal Services	54,550	54,541	9
Contractual Services	3,500	776	2,724
Materials and Supplies	400	364	36
Total Auditor	<u>58,450</u>	<u>55,681</u>	<u>2,769</u>
General Administrative:			
Personal Services	216,845	201,451	15,394
Contractual Services	276,821	179,039	97,782
Materials and Supplies	17,276	8,740	8,536
Capital Outlay	16,948	4,406	12,542
Total General Administrative	<u>527,890</u>	<u>393,636</u>	<u>134,254</u>
Court Fees:			
Contractual Services	45,150	4,578	40,572
Total Court Fees	<u>45,150</u>	<u>4,578</u>	<u>40,572</u>
Civil Service:			
Contractual Services	13,690	6,060	7,630
Total Civil Service	<u>13,690</u>	<u>6,060</u>	<u>7,630</u>
Safety/Service:			
Personal Services	60,125	59,377	748
Contractual Services	90,849	66,489	24,360
Materials and Supplies	14,000	9,924	4,076
Capital Outlay	29,500	19,783	9,717
Total Safety/Service	<u>194,474</u>	<u>155,573</u>	<u>38,901</u>
Income Tax:			
Personal Services	215,740	215,267	473
Contractual Services	19,239	12,463	6,776
Materials and Supplies	20,234	16,183	4,051
Capital Outlay	5,500	4,458	1,042
Total Income Tax	<u>260,713</u>	<u>248,371</u>	<u>12,342</u>
Total General Government	<u>1,477,677</u>	<u>1,214,694</u>	<u>262,983</u>
Total Expenditures	<u>5,949,818</u>	<u>5,367,581</u>	<u>582,237</u>

(Continued)

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2002

GENERAL FUND

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,830,509)	(1,043,642)	786,867
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	3,000	3,000
Operating Transfers Out	<u>(608,000)</u>	<u>(608,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(608,000)</u>	<u>(605,000)</u>	<u>3,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,438,509)	(1,648,642)	789,867
Fund Balance at Beginning of Year	3,391,953	3,391,953	0
Prior Year Encumbrances	91,855	91,855	0
Fund Balance at End of Year	<u><u>\$1,045,299</u></u>	<u><u>\$1,835,166</u></u>	<u><u>\$789,867</u></u>

SPECIAL REVENUE FUNDS

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

Street Construction, Maintenance and Repair Fund

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

State Highway Fund

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

County \$5 Permissive License Tax Fund

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

Swimming Pool Fund

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

Fire Levy Fund

To account for property tax collected and designated for the operations of the Fire Department.

Fire Pension Fund

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

Police Pension Fund

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

Law Enforcement Trust Fund

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

(Continued)

SPECIAL REVENUE FUNDS

Enforcement and Education Fund

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

D.A.R.E. Fund

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

Grants Fund

To account for revenues and expenditures relative to grants for the planning of the reuse of the Newark Air Force Base.
(The Balance Sheet is not presented because there are no assets or liabilities at year end.)

**THE CITY OF HEATH, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2002**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Fire Levy
Assets:					
Cash and Cash Equivalents	\$273,347	\$130,794	\$120,976	\$266,768	\$473,555
Receivables (net of allowances for doubtful accounts)					
Taxes	0	0	0	0	609,056
Intergovernmental Receivables	134,276	10,884	15,113	0	27,097
Inventory of Supplies at Cost	50,550	0	0	2,185	0
Prepaid Items	13,484	0	0	1,175	0
Restricted Assets:					
Cash with Fiscal Agent	0	0	67,116	0	0
Total Assets	<u>\$471,657</u>	<u>\$141,678</u>	<u>\$203,205</u>	<u>\$270,128</u>	<u>\$1,109,708</u>
Liabilities and Fund Equity:					
Liabilities:					
Accounts Payable	\$5,568	\$834	\$35,781	\$438	\$8,748
Accrued Wages and Benefits	22,509	0	0	866	23,060
Advances from Other Funds	0	0	0	0	50,000
Deferred Revenue	35,521	2,879	82,229	0	636,153
Total Liabilities	<u>63,598</u>	<u>3,713</u>	<u>118,010</u>	<u>1,304</u>	<u>717,961</u>
Fund Equity:					
Reserved for Encumbrances	1,526	0	73,029	2,070	216,007
Reserved for Supplies Inventory	50,550	0	0	2,185	0
Reserved for Prepaid Items	13,484	0	0	1,175	0
Unreserved	342,499	137,965	12,166	263,394	175,740
Total Fund Equity	<u>408,059</u>	<u>137,965</u>	<u>85,195</u>	<u>268,824</u>	<u>391,747</u>
Total Liabilities and Fund Equity	<u>\$471,657</u>	<u>\$141,678</u>	<u>\$203,205</u>	<u>\$270,128</u>	<u>\$1,109,708</u>

**THE CITY OF HEATH, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2002**

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Totals</u>
\$3,340	\$2,871	\$36,517	\$11,493	\$12,384	\$1,332,045
81,121	81,121	0	0	0	771,298
3,679	3,679	100	0	0	194,828
0	0	0	0	0	52,735
0	0	0	0	0	14,659
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67,116</u>
<u>\$88,140</u>	<u>\$87,671</u>	<u>\$36,617</u>	<u>\$11,493</u>	<u>\$12,384</u>	<u>\$2,432,681</u>
\$0	\$0	\$1,687	\$0	\$97	\$53,153
61,496	57,926	0	0	0	165,857
0	0	0	0	0	50,000
84,800	84,800	0	0	0	926,382
<u>146,296</u>	<u>142,726</u>	<u>1,687</u>	<u>0</u>	<u>97</u>	<u>1,195,392</u>
0	0	238	0	0	292,870
0	0	0	0	0	52,735
0	0	0	0	0	14,659
<u>(58,156)</u>	<u>(55,055)</u>	<u>34,692</u>	<u>11,493</u>	<u>12,287</u>	<u>877,025</u>
<u>(58,156)</u>	<u>(55,055)</u>	<u>34,930</u>	<u>11,493</u>	<u>12,287</u>	<u>1,237,289</u>
<u>\$88,140</u>	<u>\$87,671</u>	<u>\$36,617</u>	<u>\$11,493</u>	<u>\$12,384</u>	<u>\$2,432,681</u>

THE CITY OF HEATH, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Fire Levy
Revenues:					
Taxes	\$0	\$0	\$0	\$0	\$482,058
Intergovernmental Revenues	270,004	21,889	119,700	0	53,914
Charges for Services	0	0	0	542,070	0
Investment Earnings	0	0	0	0	10,596
Fines and Forfeitures	0	0	0	0	0
All Other Revenues	21,463	0	0	7,096	499
Total Revenues	<u>291,467</u>	<u>21,889</u>	<u>119,700</u>	<u>549,166</u>	<u>547,067</u>
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	1,167,457
Leisure Time Activities	0	0	0	410,944	0
Transportation	672,556	11,447	38,307	0	0
Debt Service:					
Principal Retirement	40,739	0	0	0	0
Interest and Fiscal Charges	6,917	0	0	44,021	0
Total Expenditures	<u>720,212</u>	<u>11,447</u>	<u>38,307</u>	<u>454,965</u>	<u>1,167,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(428,745)	10,442	81,393	94,201	(620,390)
Other Financing Sources (Uses):					
Operating Transfers In	400,000	0	0	13,000	0
Operating Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>13,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(28,745)	10,442	81,393	107,201	(620,390)
Fund Balance (Deficit) at Beginning of Year	447,082	127,523	3,802	164,713	1,012,137
Decrease in Inventory Reserve	(10,278)	0	0	(3,090)	0
Fund Balance (Deficit) at End of Year	<u><u>\$408,059</u></u>	<u><u>\$137,965</u></u>	<u><u>\$85,195</u></u>	<u><u>\$268,824</u></u>	<u><u>\$391,747</u></u>

THE CITY OF HEATH, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

Fire Pension	Police Pension	Law Enforcement Trust	Enforcement and Education	D.A.R.E.	Totals
\$64,156	\$64,156	\$0	\$0	\$0	\$610,370
7,273	7,273	0	0	0	480,053
0	0	0	0	0	542,070
0	0	0	0	0	10,596
0	0	13,589	2,799	0	16,388
0	0	6,500	0	3,753	39,311
<u>71,429</u>	<u>71,429</u>	<u>20,089</u>	<u>2,799</u>	<u>3,753</u>	<u>1,698,788</u>
176,484	209,252	16,245	499	2,735	1,572,672
0	0	0	0	0	410,944
0	0	0	0	0	722,310
0	0	0	0	0	40,739
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,938</u>
<u>176,484</u>	<u>209,252</u>	<u>16,245</u>	<u>499</u>	<u>2,735</u>	<u>2,797,603</u>
(105,055)	(137,823)	3,844	2,300	1,018	(1,098,815)
73,000	122,000	0	0	0	608,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,000)</u>	<u>0</u>	<u>(3,000)</u>
<u>73,000</u>	<u>122,000</u>	<u>0</u>	<u>(3,000)</u>	<u>0</u>	<u>605,000</u>
(32,055)	(15,823)	3,844	(700)	1,018	(493,815)
(26,101)	(39,232)	31,086	12,193	11,269	1,744,472
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(13,368)</u>
<u>(\$58,156)</u>	<u>(\$55,055)</u>	<u>\$34,930</u>	<u>\$11,493</u>	<u>\$12,287</u>	<u>\$1,237,289</u>

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$253,000	\$258,948	\$5,948
All Other Revenues	21,000	21,463	463
Total Revenues	<u>274,000</u>	<u>280,411</u>	<u>6,411</u>
<u>Expenditures:</u>			
Transportation:			
Streets Department:			
Personal Services	526,980	488,430	38,550
Contractual Services	128,962	87,817	41,145
Materials and Supplies	165,964	98,572	67,392
Capital Outlay	23,011	6,945	16,066
Total Transportation	<u>844,917</u>	<u>681,764</u>	<u>163,153</u>
Debt Service:			
Principal Retirement	40,739	40,739	0
Interest and Fiscal Charges	6,917	6,917	0
Total Expenditures	<u>892,573</u>	<u>729,420</u>	<u>163,153</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(618,573)	(449,009)	169,564
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	400,000	400,000	0
Total Other Financing Sources (Uses):	<u>400,000</u>	<u>400,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(218,573)	(49,009)	169,564
Fund Balance at Beginning of Year	310,517	310,517	0
Prior Year Encumbrances	7,930	7,930	0
Fund Balance at End of Year	<u>\$99,874</u>	<u>\$269,438</u>	<u>\$169,564</u>

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

STATE HIGHWAY FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$20,500	\$20,996	\$496
Total Revenues	20,500	20,996	496
<u>Expenditures:</u>			
Transportation:			
Streets Department:			
Contractual Services	7,100	6,500	600
Materials and Supplies	18,000	5,000	13,000
Total Expenditures	25,100	11,500	13,600
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,600)	9,496	14,096
Fund Balance at Beginning of Year	121,298	121,298	0
Fund Balance at End of Year	\$116,698	\$130,794	\$14,096

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

COUNTY \$5 PERMISSIVE LICENSE TAX FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$119,700	\$119,700	\$0
Total Revenues	119,700	119,700	0
<u>Expenditures:</u>			
Transportation:			
Streets Department:			
Contractual Services	2,949	2,949	0
Capital Outlay	108,810	108,810	0
Total Expenditures	111,759	111,759	0
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	7,941	7,941	0
Fund Balance at Beginning of Year	1,275	1,275	0
Prior Year Encumbrances	2,950	2,950	0
Fund Balance at End of Year	\$12,166	\$12,166	\$0

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

SWIMMING POOL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$542,855	\$542,070	(\$785)
All Other Revenues	7,095	7,096	1
Total Revenues	549,950	549,166	(784)
<u>Expenditures:</u>			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	217,105	217,099	6
Contractual Services	123,224	82,256	40,968
Materials and Supplies	143,500	103,494	40,006
Capital Outlay	47,000	13,760	33,240
Total Leisure Time Activities	530,829	416,609	114,220
Debt Service:			
Interest and Fiscal Charges	66,032	44,021	22,011
Total Expenditures	596,861	460,630	136,231
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,911)	88,536	135,447
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	13,000	13,000	0
Total Other Financing Sources (Uses):	13,000	13,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(33,911)	101,536	135,447
Fund Balance at Beginning of Year	158,338	158,338	0
Prior Year Encumbrances	4,824	4,824	0
Fund Balance at End of Year	\$129,251	\$264,698	\$135,447

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

FIRE LEVY FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$481,950	\$482,058	\$108
Intergovernmental Revenues	53,350	53,914	564
Investment Earnings	10,200	10,596	396
All Other Revenues	498	499	1
Total Revenues	545,998	547,067	1,069
<u>Expenditures:</u>			
Security of Persons and Property:			
Fire:			
Personal Services	388,357	386,833	1,524
Contractual Services	15,590	9,010	6,580
Materials and Supplies	6,000	0	6,000
Capital Outlay	1,042,900	982,026	60,874
Total Expenditures	1,452,847	1,377,869	74,978
Excess (Deficiency) of Revenues Over (Under) Expenditures	(906,849)	(830,802)	76,047
<u>Other Financing Sources (Uses):</u>			
Advances In	50,000	50,000	0
Total Other Financing Sources (Uses):	50,000	50,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(856,849)	(780,802)	76,047
Fund Balance at Beginning of Year	992,678	992,678	0
Prior Year Encumbrances	36,853	36,853	0
Fund Balance at End of Year	\$172,682	\$248,729	\$76,047

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

FIRE PENSION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$64,150	\$64,156	\$6
Intergovernmental Revenues	7,250	7,273	23
Total Revenues	71,400	71,429	29
<u>Expenditures:</u>			
Security of Persons and Property:			
Fire:			
Personal Services	159,000	158,970	30
Contractual Services	4,020	1,184	2,836
Total Expenditures	163,020	160,154	2,866
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,620)	(88,725)	2,895
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	73,000	73,000	0
Total Other Financing Sources (Uses):	73,000	73,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(18,620)	(15,725)	2,895
Fund Balance at Beginning of Year	19,065	19,065	0
Fund Balance at End of Year	\$445	\$3,340	\$2,895

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

POLICE PENSION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$64,150	\$64,156	\$6
Intergovernmental Revenues	7,250	7,273	23
Total Revenues	71,400	71,429	29
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Personal Services	200,400	200,342	58
Contractual Services	4,020	1,184	2,836
Total Expenditures	204,420	201,526	2,894
Excess (Deficiency) of Revenues Over (Under) Expenditures	(133,020)	(130,097)	2,923
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	122,000	122,000	0
Total Other Financing Sources (Uses):	122,000	122,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,020)	(8,097)	2,923
Fund Balance at Beginning of Year	10,968	10,968	0
Fund Balance at End of Year	(\$52)	\$2,871	\$2,923

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

LAW ENFORCEMENT TRUST FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$14,700	\$14,739	\$39
All Other Revenues	6,500	6,500	0
Total Revenues	<u>21,200</u>	<u>21,239</u>	<u>39</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Contractual Services	15,310	11,575	3,735
Materials and Supplies	500	0	500
Capital Outlay	4,000	3,758	242
Total Expenditures	<u>19,810</u>	<u>15,333</u>	<u>4,477</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,390	5,906	4,516
Fund Balance at Beginning of Year	29,801	29,801	0
Prior Year Encumbrances	310	310	0
Fund Balance at End of Year	<u>\$31,501</u>	<u>\$36,017</u>	<u>\$4,516</u>

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

ENFORCEMENT AND EDUCATION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$2,799	\$2,799	\$0
Total Revenues	2,799	2,799	0
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Materials and Supplies	500	226	274
Capital Outlay	500	273	227
Total Expenditures	1,000	499	501
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,799	2,300	501
<u>Other Financing Sources (Uses):</u>			
Operating Transfers Out	(3,000)	(3,000)	0
Total Other Financing Sources (Uses):	(3,000)	(3,000)	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,201)	(700)	501
Fund Balance at Beginning of Year	12,193	12,193	0
Fund Balance at End of Year	\$10,992	\$11,493	\$501

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

D.A.R.E. FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
All Other Revenues	\$2,436	\$3,753	\$1,317
Total Revenues	<u>2,436</u>	<u>3,753</u>	<u>1,317</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Contractual Services	1,601	553	1,048
Materials and Supplies	<u>5,000</u>	<u>2,182</u>	<u>2,818</u>
Total Expenditures	<u>6,601</u>	<u>2,735</u>	<u>3,866</u>
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(4,165)	1,018	5,183
Fund Balance at Beginning of Year	<u>11,269</u>	<u>11,269</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$7,104</u></u>	<u><u>\$12,287</u></u>	<u><u>\$5,183</u></u>

CAPITAL PROJECTS FUNDS

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

Capital Improvement Fund

To account for financial resources used for the major capital projects undertaken by the City.

County Road Fund

To account for financial resources used for the planning and construction of a connector road from SR 79 to Thornwood Drive. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Forry Preserve Fund

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

**THE CITY OF HEATH, OHIO
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
DECEMBER 31, 2002**

	<u>Capital Improvement</u>	<u>Ferry Preserve</u>	<u>Totals</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$3,883,664	\$364,868	\$4,248,532
Receivables (net of allowances for doubtful accounts)			
Taxes	134,334	0	134,334
Intergovernmental Receivables	42,200	16,438	58,638
Advances to Other Funds	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total Assets	<u>\$4,110,198</u>	<u>\$381,306</u>	<u>\$4,491,504</u>
<u>Liabilities and Fund Equity:</u>			
Liabilities:			
Accounts Payable	\$107,690	\$0	\$107,690
Accrued Interest Payable	3,945	0	3,945
Deferred Revenue	15,997	0	15,997
General Obligation Notes Payable	<u>2,000,000</u>	<u>0</u>	<u>2,000,000</u>
Total Liabilities	<u>2,127,632</u>	<u>0</u>	<u>2,127,632</u>
Fund Equity:			
Fund Balances:			
Reserved for Encumbrances	385,975	20,000	405,975
Unreserved - Undesignated	<u>1,596,591</u>	<u>361,306</u>	<u>1,957,897</u>
Total Fund Equity	<u>1,982,566</u>	<u>381,306</u>	<u>2,363,872</u>
Total Liabilities and Fund Equity	<u>\$4,110,198</u>	<u>\$381,306</u>	<u>\$4,491,504</u>

THE CITY OF HEATH, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Capital Improvement	County Road	Ferry Preserve	Totals
<u>Revenues:</u>				
Taxes	\$1,192,823	\$0	\$0	\$1,192,823
Intergovernmental Revenues	1,494,188	0	353,360	1,847,548
All Other Revenues	65,000	0	0	65,000
Total Revenues	<u>2,752,011</u>	<u>0</u>	<u>353,360</u>	<u>3,105,371</u>
<u>Expenditures:</u>				
Security of Persons and Property	122,481	0	0	122,481
Leisure Time Activities	2,015,830	0	460,929	2,476,759
Community Environment	2,000	0	0	2,000
Basic Utility Services	242,676	0	0	242,676
Transportation	2,313,860	250,000	0	2,563,860
General Government	43,067	0	0	43,067
<u>Debt Service:</u>				
Interest and Fiscal Charges	3,945	0	0	3,945
Total Expenditures	<u>4,743,859</u>	<u>250,000</u>	<u>460,929</u>	<u>5,454,788</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,991,848)	(250,000)	(107,569)	(2,349,417)
<u>Other Financing Sources (Uses):</u>				
Proceeds from General Obligation Bonds	1,850,000	0	0	1,850,000
Operating Transfers In	0	0	488,875	488,875
Operating Transfers Out	(1,278,639)	0	0	(1,278,639)
Total Other Financing Sources (Uses)	<u>571,361</u>	<u>0</u>	<u>488,875</u>	<u>1,060,236</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,420,487)	(250,000)	381,306	(1,289,181)
Fund Balance at Beginning of Year	3,403,053	250,000	0	3,653,053
Fund Balance at End of Year	<u>\$1,982,566</u>	<u>\$0</u>	<u>\$381,306</u>	<u>\$2,363,872</u>

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

CAPITAL IMPROVEMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$1,174,645	\$1,196,374	\$21,729
Intergovernmental Revenues	1,235,565	1,519,488	283,923
All Other Revenues	65,000	65,000	0
Total Revenues	<u>2,475,210</u>	<u>2,780,862</u>	<u>305,652</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Capital Outlay	82,000	82,000	0
Total Police	<u>82,000</u>	<u>82,000</u>	<u>0</u>
Fire:			
Capital Outlay	48,870	43,025	5,845
Total Fire	<u>48,870</u>	<u>43,025</u>	<u>5,845</u>
Total Security of Persons and Property	<u>130,870</u>	<u>125,025</u>	<u>5,845</u>
Leisure Time Activities:			
Parks:			
Contractual Services	55,666	55,666	0
Capital Outlay	516,983	510,438	6,545
Total Parks	<u>572,649</u>	<u>566,104</u>	<u>6,545</u>
Swimming Pool:			
Contractual Services	51,900	51,900	0
Capital Outlay	1,671,208	1,637,014	34,194
Total Swimming Pool	<u>1,723,108</u>	<u>1,688,914</u>	<u>34,194</u>
Total Leisure Time Activities	<u>2,295,757</u>	<u>2,255,018</u>	<u>40,739</u>
Community Environment:			
Planning and Zoning:			
Contractual Services	2,000	2,000	0
Total Community Environment	<u>2,000</u>	<u>2,000</u>	<u>0</u>
Basic Utility Services:			
Water:			
Contractual Services	12,716	12,716	0
Capital Outlay	230,673	230,660	13
Total Water	<u>243,389</u>	<u>243,376</u>	<u>13</u>

(Continued)

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

CAPITAL IMPROVEMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Sewer:			
Contractual Services	37,100	11,742	25,358
Total Sewer	37,100	11,742	25,358
Total Basic Utility Services	280,489	255,118	25,371
Transportation:			
Streets Department:			
Contractual Services	221,625	221,625	0
Capital Outlay	2,400,138	2,397,932	2,206
Total Transportation	2,621,763	2,619,557	2,206
General Government:			
General Administrative:			
Contractual Services	37,255	36,967	288
Total General Administrative	37,255	36,967	288
Safety/Service:			
Contractual Services	6,100	6,100	0
Total Safety/Service	6,100	6,100	0
Total General Government	43,355	43,067	288
Total Expenditures	5,374,234	5,299,785	74,449
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,899,024)	(2,518,923)	380,101
<u>Other Financing Sources (Uses):</u>			
Proceeds from General Obligation Notes	2,000,000	2,000,000	0
Proceeds from General Obligation Bonds	1,850,000	1,850,000	0
Operating Transfers Out	(1,278,639)	(1,278,639)	0
Advances Out	(50,000)	(50,000)	0
Total Other Financing Sources (Uses)	2,521,361	2,521,361	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(377,663)	2,438	380,101
Fund Balance at Beginning of Year	1,532,708	1,532,708	0
Prior Year Encumbrances	1,868,161	1,868,161	0
Fund Balance at End of Year	<u>\$3,023,206</u>	<u>\$3,403,307</u>	<u>\$380,101</u>

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

COUNTY ROAD FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Transportation:			
Streets Department:			
Contractual Services	300,000	300,000	0
Total Expenditures	300,000	300,000	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300,000)	(300,000)	0
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances	300,000	300,000	0
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

THE CITY OF HEATH, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

FORRY PRESERVE FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$336,922	\$336,922	\$0
Total Revenues	336,922	336,922	0
<u>Expenditures:</u>			
Leisure Time Activities:			
Parks:			
Contractual Services	40,000	40,000	0
Capital Outlay	448,875	440,929	7,946
Total Expenditures	488,875	480,929	7,946
Excess (Deficiency) of Revenues Over (Under) Expenditures	(151,953)	(144,007)	7,946
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	488,875	488,875	0
Total Other Financing Sources (Uses)	488,875	488,875	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	336,922	344,868	7,946
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	\$336,922	\$344,868	\$7,946

ENTERPRISE FUNDS

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of net income is appropriate for accountability purposes.

Water Fund

To account for the operation of the City's water service.

Sewer Fund

To account for the operation of the City's sanitary sewer service.

THE CITY OF HEATH, OHIO
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
DECEMBER 31, 2002

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$1,803,764	\$1,855,070	\$3,658,834
Receivables (net of allowances for doubtful accounts):			
Accounts	119,103	247,302	366,405
Inventory of Supplies at Cost	80,522	14,548	95,070
Prepaid Items	7,064	7,222	14,286
Property, Plant and Equipment	13,355,404	16,086,530	29,441,934
Less Accumulated Depreciation	(3,724,485)	(9,855,521)	(13,580,006)
Net Fixed Assets	<u>9,630,919</u>	<u>6,231,009</u>	<u>15,861,928</u>
Total Assets	<u>\$11,641,372</u>	<u>\$8,355,151</u>	<u>\$19,996,523</u>
<u>Liabilities and Fund Equity:</u>			
Liabilities:			
Accounts Payable	\$14,976	\$30,838	\$45,814
Accrued Wages and Benefits	23,426	27,301	50,727
Accrued Interest Payable	10,929	200	11,129
Compensated Absences Payable	69,565	49,435	119,000
Installment Loans Payable	0	48,373	48,373
Ohio Water Development Authority Loans Payable	0	4,572,900	4,572,900
General Obligation Bonds Payable	<u>2,875,000</u>	<u>0</u>	<u>2,875,000</u>
Total Liabilities	<u>2,993,896</u>	<u>4,729,047</u>	<u>7,722,943</u>
Fund Equity:			
Contributed Capital	2,414,442	2,285,594	4,700,036
Retained Earnings:			
Unreserved	<u>6,233,034</u>	<u>1,340,510</u>	<u>7,573,544</u>
Total Fund Equity	<u>8,647,476</u>	<u>3,626,104</u>	<u>12,273,580</u>
Total Liabilities and Fund Equity	<u>\$11,641,372</u>	<u>\$8,355,151</u>	<u>\$19,996,523</u>

THE CITY OF HEATH, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
<u>Operating Revenues:</u>			
Charges for Services	\$990,750	\$1,901,636	\$2,892,386
Other Operating Revenues	<u>110,458</u>	<u>74,268</u>	<u>184,726</u>
Total Operating Revenues	<u>1,101,208</u>	<u>1,975,904</u>	<u>3,077,112</u>
<u>Operating Expenses:</u>			
Personal Services	479,577	553,550	1,033,127
Materials and Supplies	149,787	117,012	266,799
Contractual Services	308,588	501,756	810,344
Depreciation	<u>334,623</u>	<u>443,965</u>	<u>778,588</u>
Total Operating Expenses	<u>1,272,575</u>	<u>1,616,283</u>	<u>2,888,858</u>
Operating Income (Loss)	(171,367)	359,621	188,254
<u>Non-Operating Revenues (Expenses):</u>			
Capital Contributions	953,500	0	953,500
Interest Earnings	0	16,087	16,087
Interest and Fiscal Charges	(135,605)	(243,934)	(379,539)
Loss on Disposal of Fixed Assets	<u>(1,417)</u>	<u>0</u>	<u>(1,417)</u>
Total Non-Operating Revenues (Expenses)	<u>816,478</u>	<u>(227,847)</u>	<u>588,631</u>
Income Before Operating Transfers	645,111	131,774	776,885
<u>Operating Transfers:</u>			
Operating Transfers In	<u>665,774</u>	<u>230,000</u>	<u>895,774</u>
Total Operating Transfers	<u>665,774</u>	<u>230,000</u>	<u>895,774</u>
Net Income	1,310,885	361,774	1,672,659
Retained Earnings at Beginning of Year	<u>4,922,149</u>	<u>978,736</u>	<u>5,900,885</u>
Retained Earnings at End of Year	<u>\$6,233,034</u>	<u>\$1,340,510</u>	<u>\$7,573,544</u>

THE CITY OF HEATH, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Water	Sewer	Totals
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$995,833	\$1,906,389	\$2,902,222
Cash Payments for Goods and Services	(507,817)	(786,926)	(1,294,743)
Cash Payments to Employees	(475,882)	(539,972)	(1,015,854)
Other Operating Cash Receipts	110,458	74,268	184,726
Net Cash Provided by Operating Activities	<u>122,592</u>	<u>653,759</u>	<u>776,351</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfers In from Other Funds	665,774	230,000	895,774
Net Cash Provided by Noncapital Financing Activities	<u>665,774</u>	<u>230,000</u>	<u>895,774</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal Paid on General Obligation Bonds	(120,000)	0	(120,000)
Acquisition and Construction of Assets	(53,243)	(18,844)	(72,087)
Principal Paid on Ohio Water Development Authority Loans	0	(411,308)	(411,308)
Principal Paid on Installment Loans	0	(22,469)	(22,469)
Interest Paid on All Debt	(136,010)	(244,133)	(380,143)
Net Cash Used for Capital and Related Financing Activities	<u>(309,253)</u>	<u>(696,754)</u>	<u>(1,006,007)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	0	16,087	16,087
Net Cash Provided by Investing Activities	<u>0</u>	<u>16,087</u>	<u>16,087</u>
Net Increase in Cash and Cash Equivalents	479,113	203,092	682,205
Cash and Cash Equivalents at Beginning of Year	1,324,651	1,651,978	2,976,629
Cash and Cash Equivalents at End of Year	<u>\$1,803,764</u>	<u>\$1,855,070</u>	<u>\$3,658,834</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	(\$171,367)	\$359,621	\$188,254
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation Expense	334,623	443,965	778,588
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	5,083	4,753	9,836
Increase in Inventory	(36,889)	(473)	(37,362)
Increase in Prepaid Items	(1,310)	(4,694)	(6,004)
Decrease in Accounts Payable	(11,513)	(163,261)	(174,774)
Increase in Accrued Wages and Benefits Payable	1,356	5,599	6,955
Increase in Compensated Absences Payable	2,609	8,249	10,858
Total Adjustments	<u>293,959</u>	<u>294,138</u>	<u>588,097</u>
Net Cash Provided by Operating Activities	<u>\$122,592</u>	<u>\$653,759</u>	<u>\$776,351</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During fiscal year 2002, the Water Fund received \$953,500 of capital assets contributed from other funds.

FIDUCIARY FUND TYPE

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

EXPENDABLE TRUST FUNDS

Conn Memorial Trust Fund

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

Shai House Fund

To account for donations to the City in trusts to move the historic Shai House to a City owned property and restore it to its original grandeur. The house is to be used for community purposes.
(The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Unclaimed Monies Fund

To account for funds which rightfully belong to the payor and are refunded when the payor provides proof of claim for the funds within the period specified by law.

THE CITY OF HEATH, OHIO
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2002

	<i>Expendable Trust Funds</i>		
	Conn Memorial Trust	Unclaimed Monies	Totals
<u>Assets:</u>			
Cash and Cash Equivalents	\$85,168	\$1,544	\$86,712
Total Assets	\$85,168	\$1,544	\$86,712
<u>Liabilities and Fund Equity:</u>			
Liabilities:			
Total Liabilities	0	0	0
Fund Equity:			
Unreserved	85,168	1,544	86,712
Total Fund Equity	85,168	1,544	86,712
Total Liabilities and Fund Equity	\$85,168	\$1,544	\$86,712

THE CITY OF HEATH, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<i>Expendable Trust Funds</i>			Totals
	Conn Memorial Trust	Shai House	Unclaimed Monies	
<u>Revenues:</u>				
Charges for Services	\$1,610	\$0	\$0	\$1,610
Investment Earnings	1,498	0	0	1,498
All Other Revenues	0	0	814	814
Total Revenues	3,108	0	814	3,922
<u>Expenditures:</u>				
Community Environment	0	9,714	0	9,714
Total Expenditures	0	9,714	0	9,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,108	(9,714)	814	(5,792)
Fund Balance at Beginning of Year	82,060	9,714	730	92,504
Fund Balance at End of Year	\$85,168	\$0	\$1,544	\$86,712



GENERAL FIXED ASSETS ACCOUNT GROUP

General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the Proprietary Funds.

THE CITY OF HEATH, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCE
DECEMBER 31, 2002

General Fixed Assets:

Land	\$1,126,686
Buildings	4,759,198
Improvements Other Than Buildings	2,789,631
Machinery and Equipment	5,471,881
Construction in Progress	13,252
	<hr/>
Total General Fixed Assets	<u><u>\$14,160,648</u></u>

Investment in General Fixed Assets:

Assets Acquired Prior to 1990	\$182,594
General Fund	1,574,968
Special Revenue Funds	1,886,617
Capital Projects Funds	8,994,511
Proprietary Funds	10,282
Fiduciary Funds	23,507
Grants	445,000
Donations	1,043,169
	<hr/>
Total Investment in General Fixed Assets	<u><u>\$14,160,648</u></u>

THE CITY OF HEATH, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 2002

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
<u>General Government:</u>						
Mayor	\$0	\$0	\$0	\$3,849	\$0	\$3,849
City Council	0	0	0	9,770	0	9,770
Clerk of Council	0	0	0	3,827	0	3,827
City Auditor	0	0	0	1,948	0	1,948
General Administration	258,188	762,040	19,179	67,655	0	1,107,062
Safety/Service	0	20,125	1,952	7,584	0	29,661
Income Tax	0	0	0	20,617	0	20,617
Total General Government	<u>258,188</u>	<u>782,165</u>	<u>21,131</u>	<u>115,250</u>	<u>0</u>	<u>1,176,734</u>
<u>Security of Persons and Property:</u>						
Police	0	20,000	4,013	862,317	0	886,330
Communications	0	0	40,287	28,260	0	68,547
Fire	39,890	1,983,545	15,467	2,278,207	0	4,317,109
Occupational Safety and Health Administration	0	0	0	5,650	0	5,650
Total Security of Persons and Property	<u>39,890</u>	<u>2,003,545</u>	<u>59,767</u>	<u>3,174,434</u>	<u>0</u>	<u>5,277,636</u>
<u>Transportation:</u>						
Streets	<u>115,902</u>	<u>294,622</u>	<u>6,879</u>	<u>1,408,880</u>	<u>0</u>	<u>1,826,283</u>
<u>Community Environment:</u>						
Zoning	<u>0</u>	<u>0</u>	<u>0</u>	<u>235,933</u>	<u>7,250</u>	<u>243,183</u>
<u>Leisure Time Activities:</u>						
Parks	712,706	1,122,304	642,057	452,618	6,002	2,935,687
Swimming Pool	0	556,562	2,059,797	84,766	0	2,701,125
Total Leisure Time Activities	<u>712,706</u>	<u>1,678,866</u>	<u>2,701,854</u>	<u>537,384</u>	<u>6,002</u>	<u>5,636,812</u>
Total General Fixed Assets	<u><u>\$1,126,686</u></u>	<u><u>\$4,759,198</u></u>	<u><u>\$2,789,631</u></u>	<u><u>\$5,471,881</u></u>	<u><u>\$13,252</u></u>	<u><u>\$14,160,648</u></u>

THE CITY OF HEATH, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2002

Function and Activity	December 31, 2001	Additions	Deletions	December 31, 2002
<u>General Government:</u>				
Mayor	\$3,849	\$0	\$0	\$3,849
City Council	9,770	0	0	9,770
Clerk of Council	3,827	0	0	3,827
City Auditor	1,322	1,948	(1,322)	1,948
General Administration	1,120,527	2,828	(16,293)	1,107,062
Safety/Service	27,709	1,952	0	29,661
Income Tax	19,717	4,828	(3,928)	20,617
Total General Government	<u>1,186,721</u>	<u>11,556</u>	<u>(21,543)</u>	<u>1,176,734</u>
<u>Security of Persons and Property:</u>				
Police	874,224	71,026	(58,920)	886,330
Communications	62,652	13,885	(7,990)	68,547
Fire	4,235,408	112,412	(30,711)	4,317,109
Occupational Safety and Health Administration	<u>5,650</u>	<u>0</u>	<u>0</u>	<u>5,650</u>
Total Security of Persons and Property	<u>5,177,934</u>	<u>197,323</u>	<u>(97,621)</u>	<u>5,277,636</u>
<u>Transportation:</u>				
Streets	<u>1,744,623</u>	<u>91,985</u>	<u>(10,325)</u>	<u>1,826,283</u>
<u>Community Environment:</u>				
Zoning	<u>207,604</u>	<u>224,139</u>	<u>(188,560)</u>	<u>243,183</u>
<u>Leisure Time Activities:</u>				
Parks	2,106,114	844,801	(15,228)	2,935,687
Swimming Pool	<u>1,479,689</u>	<u>1,899,889</u>	<u>(678,453)</u>	<u>2,701,125</u>
Total Leisure Time Activities	<u>3,585,803</u>	<u>2,744,690</u>	<u>(693,681)</u>	<u>5,636,812</u>
Total General Fixed Assets	<u><u>\$11,902,685</u></u>	<u><u>\$3,269,693</u></u>	<u><u>(\$1,011,730)</u></u>	<u><u>\$14,160,648</u></u>

STATISTICAL SECTION

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

THE CITY OF HEATH, OHIO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN YEARS

<u>Year</u>	<u>Security of Persons and Property</u>	<u>Public Health and Welfare</u>	<u>Leisure Time Activities</u>	<u>Community Environment</u>	<u>Trans- portation</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Total</u>
1993	\$1,554,623	\$45,760	\$251,922	\$123,063	\$486,979	\$795,287	\$288,306	\$3,545,940
1994	2,000,115	45,760	305,639	328,297	603,370	766,084	294,125	4,343,390
1995	2,141,431	45,760	347,325	376,269	619,462	756,426	290,610	4,577,283
1996	2,580,118	45,760	394,204	825,147	841,664	835,845	286,695	5,809,433
1997	2,681,078	50,000	501,275	266,905	876,121	848,761	292,098	5,516,238
1998	2,802,266	52,500	586,585	247,784	666,636	930,280	355,686	5,641,737
1999	3,258,024	52,500	680,463	247,051	737,225	1,084,927	429,995	6,490,185
2000	3,000,081	52,500	809,551	641,264	764,587	925,951	399,940	6,593,874
2001	3,581,192	52,500	846,329	511,615	795,913	1,094,494	406,634	7,288,677
2002	4,529,031	52,500	1,227,590	297,688	722,310	1,207,949	473,065	8,510,133

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

THE CITY OF HEATH, OHIO
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN YEARS

Year	Taxes	Inter-Governmental Revenues	Charges for Services	Licenses and Permits	Investment Earnings	Fines and Forfeitures	All Other	Total
1993	\$3,212,802	\$419,849	\$7,927	\$81,025	\$292,302	\$80,431	\$181,022	\$4,275,358
1994	3,240,900	894,922	118,782	22,560	431,762	79,522	45,633	4,834,081
1995	3,094,227	980,797	150,359	38,173	713,420	79,777	89,021	5,145,774
1996	2,301,871	1,062,861	138,505	37,033	788,452	69,027	47,692	4,445,441
1997	3,785,963	888,601	133,188	36,765	1,005,559	55,242	34,525	5,939,843
1998	4,083,854	1,047,818	200,654	42,960	828,193	54,447	234,571	6,492,497
1999	4,420,579	1,345,588	320,045	40,999	696,334	37,983	53,847	6,915,375
2000	4,467,791	955,037	314,930	63,897	863,545	47,028	207,067	6,919,295
2001	4,513,910	926,760	305,467	23,865	551,748	55,211	137,024	6,513,985
2002	4,580,012	944,005	679,393	23,861	231,096	50,156	114,070	6,622,593

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

THE CITY OF HEATH, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Accumulated Delinquent Taxes to Total Tax Levy</u>
1993	\$442,351	\$374,848	\$21,713	\$396,561	89.65%	\$45,790	10.35%
1994	515,649	428,633	56,686	485,319	94.12%	30,329	5.88%
1995	521,518	479,489	25,236	504,725	96.78%	16,793	3.22%
1996	740,748	689,389	16,042	705,431	95.23%	35,318	4.77%
1997	781,634	730,609	16,878	747,487	95.63%	34,147	4.37%
1998	1,155,640	988,251	17,138	1,005,389	87.00%	150,251	13.00%
1999	1,276,845	1,074,499	144,908	1,219,407	95.50%	57,438	4.50%
2000	1,283,598	1,171,988	19,201	1,191,189	92.80%	92,409	7.20%
2001	1,329,993	1,203,581	24,753	1,228,334	92.36%	101,659	7.64%
2002	1,323,199	1,166,236	37,618	1,203,854	90.98%	119,345	9.02%

Source: Licking County Auditor

**THE CITY OF HEATH, OHIO
TANGIBLE TAX COLLECTED
LAST TEN YEARS**

<u>Year Paid</u>	<u>Amount</u>
1993	\$164,320
1994	200,171
1995	192,444
1996	201,529
1997	202,543
1998	212,459
1999	369,213
2000	274,773
2001	266,993
2002	238,662

THE CITY OF HEATH, OHIO
ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS

Tax Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1993	\$106,306,980	\$303,734,229	\$7,951,830	\$24,849,469	\$39,649,530	\$152,498,192	\$153,908,340	\$481,081,890	31.99%
1994	112,527,140	321,506,114	8,106,050	25,331,406	49,546,930	198,187,720	170,180,120	545,025,241	31.22%
1995	117,540,590	335,830,257	7,790,680	24,345,875	48,733,160	194,932,640	174,064,430	555,108,772	31.36%
1996	132,745,180	379,271,943	7,567,020	23,646,938	52,229,560	208,918,240	192,541,760	611,837,120	31.47%
1997	139,212,120	397,748,914	7,270,790	22,721,219	51,962,740	207,850,960	198,445,650	628,321,093	31.58%
1998	150,111,450	428,889,857	7,857,140	24,553,563	53,498,260	213,993,040	211,466,850	667,436,460	31.68%
1999	176,197,990	503,422,829	7,319,020	22,871,938	50,234,250	200,937,000	233,751,260	727,231,766	32.14%
2000	179,921,790	514,062,257	7,519,920	23,499,750	49,286,700	197,146,800	236,728,410	734,708,807	32.22%
2001	187,391,420	535,404,057	6,095,110	19,047,219	51,462,020	205,848,080	244,948,550	760,299,356	32.22%
2002	204,992,840	585,693,829	6,181,220	19,316,313	44,561,240	178,244,960	255,735,300	783,255,101	32.65%

Source: Licking County Auditor

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

Collection Year	City of Heath				Total City	Heath City School District	Licking County Joint Vocational School District	Lakewood Local School District	Licking Valley Local School District	Granville Exempted Village School District	Licking County
	General Fund	Police Pension Fund	Fire Pension Fund	Fire Levy Fund							
1993	2.30	0.30	0.30	1.00	3.90	38.90	2.00	38.80	35.90	0.00	7.20
1994	2.30	0.30	0.30	1.00	3.90	38.90	2.00	38.80	30.90	62.50	7.20
1995	2.30	0.30	0.30	1.00	3.90	40.10	2.00	38.80	30.90	66.00	6.70
1996	2.30	0.30	0.30	1.00	3.90	40.10	2.00	38.80	30.90	69.70	7.20
1997	2.30	0.30	0.30	2.50	5.40	43.10	2.00	38.80	30.90	69.50	7.20
1998	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.50	39.70	69.10	7.20
1999	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.11	38.90	69.00	7.20
2000	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.11	38.90	69.00	7.20
2001	2.30	0.30	0.30	2.50	5.40	48.22	2.00	41.96	38.38	73.49	7.20
2002	2.30	0.30	0.30	2.50	5.40	50.52	3.00	41.75	37.18	73.49	7.20

Source: Licking County Auditor
Licking County Treasurer

THE CITY OF HEATH, OHIO
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2002

	Total Debt	Unvoted Debt
Net Assessed Valuation	\$255,735,300	\$255,735,300
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	26,852,207	14,065,442
Applicable City Debt Outstanding (2)	4,075,000	4,075,000
Less: Applicable Debt Service Fund Amounts	(955,128)	(955,128)
Net Indebtedness Subject to Limitation	3,119,872	3,119,872
Legal Debt Margin	\$23,732,335	\$10,945,570

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

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

THE CITY OF HEATH, OHIO
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Valuation</u>	<u>Net Bonded Debt Per Capita</u>	
1993	a	7,452	\$153,908,340	\$2,085,000	\$5,378	\$2,079,622	1.35%	\$279.07
1994	a	7,500	170,180,120	1,930,000	5,378	1,924,622	1.13%	256.62
1995	a	7,650	174,064,430	1,770,000	5,378	1,764,622	1.01%	230.67
1996	a	8,000	192,541,760	1,605,000	55,383	1,549,617	0.80%	193.70
1997	a	8,100	198,445,650	1,425,000	405,909	1,019,091	0.51%	125.81
1998	a	8,100	211,466,850	3,240,000	460,635	2,779,365	1.31%	343.13
1999	a	8,100	233,751,260	2,950,000	576,752	2,373,248	1.02%	292.99
2000	b	8,527	236,728,410	2,715,000	730,272	1,984,728	0.84%	232.76
2001	b	8,527	244,948,550	2,475,000	839,512	1,635,488	0.67%	191.80
2002	b	8,527	255,735,300	4,075,000	955,128	3,119,872	1.22%	365.88

Source:

(1) U.S. Bureau of Census of Population - (a) Estimated

(b) U.S. Bureau of Census, Federal 2000 Census

(2) Licking County Auditor

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

THE CITY OF HEATH, OHIO
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

<u>Year</u>	<u>Debt Principal</u>	<u>Debt Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Tax Debt Service to General Governmental Expenditures</u>
1993	\$145,000	\$143,306	\$288,306	\$3,545,940	8.13%
1994	155,000	138,660	293,660	4,343,390	6.76%
1995	160,000	130,610	290,610	4,577,283	6.35%
1996	165,000	121,695	286,695	5,809,433	4.93%
1997	180,000	112,098	292,098	5,516,238	5.30%
1998	1,505,000	150,686	1,655,686	6,941,737	23.85%
1999	290,000	139,995	429,995	6,490,185	6.63%
2000	235,000	128,260	363,260	6,593,874	5.51%
2001	240,000	118,977	358,977	7,288,677	4.93%
2002	250,000	131,388	381,388	8,510,133	4.48%

THE CITY OF HEATH, OHIO
COMPUTATION OF ALL DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2002

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Heath</u>	<u>Amount Applicable to City of Heath</u>
Direct			
City of Heath	\$3,119,872	100.00%	\$3,119,872
Overlapping Subdivisions			
Heath City School District	730,000	94.19%	687,587
Licking County	14,921,459	8.36%	<u>1,247,434</u>
			Subtotal
			<u>1,935,021</u>
			Total
			<u><u>\$5,054,893</u></u>

Source: Licking County

**THE CITY OF HEATH, OHIO
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

<u>Year</u>		<u>City of Heath Population (1)</u>		<u>Licking County Population (1)</u>	<u>Unemployment Rate County Area (2)</u>	<u>School Enrollment (3)</u>
1993	a	7,452		128,300	5.7%	1,281
1994	a	7,500		128,300	4.8%	1,322
1995	a	7,650		128,300	5.1%	1,390
1996	a	8,000		128,300	3.9%	1,397
1997	a	8,100	c	137,500	3.8%	1,468
1998	a	8,100	c	135,800	3.8%	1,531
1999	a	8,100	c	135,800	3.6%	1,546
2000	b	8,527	b	145,491	3.5%	1,568
2001	b	8,527	b	145,491	3.6%	1,616
2002	b	8,527	b	145,491	4.7%	1,619

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

(2) Ohio Department of Job and Family Services

(3) Heath City School District, Board of Education

THE CITY OF HEATH, OHIO
PROPERTY VALUE AND CONSTRUCTION PERMITS
LAST TEN YEARS

Year	Residential		Commercial	
	Number of Permits	Property Value	Number of Permits	Property Value
1993	32	\$2,844,701	2	\$2,615,000
1994	56	6,245,628	5	6,587,000
1995	53	6,655,138	6	779,286
1996	45	7,037,765	10	5,310,100
1997	28	4,646,240	7	3,645,000
1998	43	5,738,269	15	8,315,306
1999	56	8,326,708	10	8,827,000
2000	49	7,063,709	13	15,440,000
2001	34	5,118,088	9	2,436,000
2002	35	5,414,235	16	12,726,221

Source: City of Heath Building Department

THE CITY OF HEATH, OHIO
PRINCIPAL TAXPAYERS (PROPERTY TAX)
DECEMBER 31, 2002

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	Glimcher Properties Limited Partnership	Shopping Mall	\$16,687,060	6.53%
2	Rockwell/Meritor Heavy Vehicle System	Manufacturer	11,152,650	4.36%
3	Kaiser Aluminum and Chemical Corporation	Aluminum Processing	8,041,650	3.14%
4	Lowes	Retail - Home Improvement	5,399,440	2.11%
5	Cross Creek Ltd Partnership	Shopping Center	3,651,590	1.43%
6	Southgate Association Ltd Partnership	Shopping Center	3,375,230	1.32%
7	Ohio Power Co.	Utility Company - Electric	3,271,920	1.28%
8	Heathwood Village Limited Partnership	Real Estate - Leasing	3,097,820	1.21%
9	Heath-Newark-Licking County Port Authority	Real Estate - Leasing	3,001,570	1.17%
10	Alltel Ohio, Inc.	Utility Company - Telephone	2,293,420	0.90%
		Sub-Total	59,972,350	23.45%
		All Others	195,762,950	76.55%
		Total	\$255,735,300	100.00%

Based on valuation of property taxes assessed in 2002
Source: Licking County Auditor - Land and Buildings

THE CITY OF HEATH, OHIO
PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2002

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Amount of Tax Paid in 2002</u>	<u>Percentage of Total Tax Paid in 2002</u>
1	Central Ohio Aerospace & Technology Center	Manufacturing	\$754,112	16.15%
2	Arvin/Meritor/Rockwell	Manufacturing	492,852	10.55%
3	Kaiser Aluminum and Chemical Corporation	Manufacturing	170,941	3.66%
4	Mathews Ford	Automobile Sales and Service	103,841	2.22%
5	Heath City Schools	Education	95,846	2.05%
6	Wal-Mart Stores	Retail Sales	76,708	1.64%
7	Englefield Oil	Petroleum Products	72,223	1.55%
8	CHS Ohio Valley Inc.	Nursing Home	72,031	1.54%
9	City of Heath	Government	68,954	1.48%
10	Electric Companies of Ohio	Electric Service	62,930	1.35%
		Sub-Total	1,970,438	42.19%
		All Others	2,700,162	57.81%
		Total	\$4,670,600	100.00%

Source: Heath City Auditor

**THE CITY OF HEATH, OHIO
PRINCIPAL EMPLOYERS
DECEMBER 31, 2002**

	Employer	Type of Business	Number of Employees		
			Full-time	Part-time	Total
1	Central Ohio Aerospace and Technology Center	Manufacturing	997	0	997
2	Arvin/Meritor/Rockwell	Manufacturing	638	0	638
3	Kaiser Aluminum and Chemical Corporation	Manufacturing	261	0	261
4	Wal-Mart Stores	Retail Sales	184	65	249
5	Heath Nursing Home	Health Care	182	31	213
6	Krogers	Retail Grocery	124	77	201
7	Lowe's Home Center	Retail Sales	111	74	185
8	Englefield Oil	Petroleum Products	141	29	170
9	Heath City Schools	Education	166	0	166
10	Sears	Retail Sales	52	109	161

Source: City of Heath Income Tax Department

THE CITY OF HEATH, OHIO
MISCELLANEOUS STATISTICS
DECEMBER 31, 2002

- 516 -

	Date of Incorporation	1952			
	Charter Adopted	1964			
	Form of Government	Council/Mayor			
Area (square miles)	10.5	Elementary Schools	2	Water System:	
Facilities and Services:		Kindergarten - 2nd grade	352	Number of Purification Plants	1
Miles of Streets	86	3rd - 5th grades	390	Miles of Waterlines	62
Number of Street Lights	654	6th - 8th grades	404	Number of Fire Hydrants	529
Miles of Storm Sewers	52	Secondary Schools	1	Number of Service Connections	3,398
		9th -12th grades	473	Average Daily	
Police Services:		Heath Students Attending		Consumption (gallons)	1,500,000
Number of Stations	1	Licking County JVS (11th -12th grades)	57	Maximum Daily Capacity	
Number of Uniformed Police Officers	21			of Plant (gallons)	4,000,000
Number Reserve Personnel	10	Recreation and Culture:			
Number of Patrol Units	12	Number of Parks	9	Sewerage System:	
Traffic Citations Issued	1,188	Park Area (acres)	358	Number of Treatment Plants	1
Physical Arrests	763	Number of Ball Fields:		Miles of Sanitary Sewers	82
		Lighted	4	Average Daily Treatment	1,400,000
		Unlighted	3	Maximum Daily Capacity	
Fire/Emergency Medical Services:		Number of Sand Volley Ball Courts:		of Treatment	1,750,000
Number of Stations	2	Lighted	2	Peak Load per Day	7,000,000
Number of Full-time Personnel	18	Swimming Pool:			
Number of Part-time Personnel	23	Lighted	1		
Number of Volunteer		Vita Course - 2 mile	1		
Fire/EMS Personnel	18	Fitness and Recreation Center	1		
Number of Calls Answered	1,804	Riverfront Walkway - 1/2 mile	1		
Number of Inspections	306				

Source: Heath City Auditor

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

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

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

We have audited the general-purpose financial statements of City of Heath as of and for the year ended December 31, 2002, and have issued our report thereon dated May 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Heath 's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of the City of Heath in a separate letter dated May 7, 2003.

Internal Control Over Financial Reporting

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

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 7, 2003

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

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

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

Compliance

We have audited the compliance of the City of Heath with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2002. The City of Heath's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The City of Heath management. Our responsibility is to express an opinion on the City of Heath's compliance based on our audit.

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

In our opinion, the City of Heath complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

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

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

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

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

May 7, 2003

**CITY OF HEATH
LICKING COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505**

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)?	NO
(d)(1)(iii)	Was there any reported 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 section. 510?	NO
(d)(1)(vii)	Major Programs:	Highway Planning; CFDA #20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs: Type A: >\$300,000; Type B: All Others	
(d)(1)(ix)	Low Risk Auditee?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

NONE

3. Findings and Questioned Costs for Federal Awards

NONE

CITY OF HEATH
LICKING COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>						
Pass through Ohio Department of Transportation						
Highway Planning and Construction	various	20.205	1,568,345	-	1,295,289	-
Total U.S. Department of Transportation			1,568,345	-	1,295,289	-
Total Federal Awards Expenditures			<u>\$ 1,568,345</u>	<u>\$ -</u>	<u>\$ 1,295,289</u>	<u>\$ -</u>

See notes to Schedule of Federal Awards Expenditures.

See notes to Schedule of Federal Awards Expenditures.

CITY OF HEATH
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF HEATH

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 8, 2003**