

# CITY OF HEATH, OHIO

*Licking County*



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2011





# Dave Yost • Auditor of State

Members of the City Council  
City of Heath  
1287 Hebron Road  
Heath, OH 43056

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

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

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

Dave Yost  
Auditor of State

August 27, 2012



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2011

*Prepared by the City Auditor's Department*

Mr. Keith B. Alexander  
City Auditor



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LICKING COUNTY, OHIO

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## *INTRODUCTORY SECTION*

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# CITY OF HEATH

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

phone (740) 522-1420

fax (740)-522-6324

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June 20, 2012

To the 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, 2011. The report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

## INTRODUCTION

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

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

## The Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations are Component Units"* 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 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.

***Letter of Transmittal  
For the Year Ended December 31, 2011***

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**The City of Heath**

The City of Heath continues to be a growing community located twenty-five miles east of Ohio’s capital city, Columbus. It is bounded on the north by the City of Newark, the county seat of Licking County. The City's elevation is approximately 830 feet above sea level. Its median temperatures are 75 degrees in summer and 30.2 degrees in winter. State highways 79 and 13 serve as the City's major transportation arteries. The east-west interstate highway I-70 that lies approximately 6 miles south also serves the City. Heath’s 10.5 square mile area serves a residential population of 10,310 (census 2010) and an estimated daytime population of 45,000. The daytime population is concentrated in the State Route 79 corridor, the area of the Central Ohio Aerospace and Technology Center, the Indian Mound Mall, and Southgate and Cross Creek Shopping Centers.

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

Historical areas in the City of Heath include the Davis-Shai House, the old Four Mile Lock (part of the Ohio Canal), Moundbuilders State Park, and the Forry Preserve. The latter two include prehistoric Hopewell Indian mound sites. In addition, the W. Thomas Huff Indian artifact collection is on display at city hall.

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

**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>
80	Classified employees
9	Elected officials
4	Appointed employees

**CITY OF HEATH, OHIO**

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***Letter of Transmittal  
For the Year Ended December 31, 2011***

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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, its employee relations have been and are considered to be good.

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, 2014	6
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2014	16
International Association of Firefighters Local 2930	April 17, 2014	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2014	33

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
- 4 Exempted classified employees
- 1 Appointed Administrative Assistant
- 6 Department Heads

***Letter of Transmittal  
For the Year Ended December 31, 2011***

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**ECONOMIC OUTLOOK & MAJOR INITIATIVES**

From a development activity viewpoint, 2011 was a great year. Very few businesses were lost, and several previously vacant sites were reoccupied. New businesses included Dick's Sporting Goods was added to the Indian Mound Mall, DFW Furniture opened in the old Value City Building, and Goodwill Industries opened in the old Scott's building on Hopewell Drive. East-West restaurant opened in the old Ponderosa building, and Billie Lee's Chinese Restaurant opened in the old Ming Tung location. Construction began for Coughlin Toyota, and newcomer Longhorn Steakhouse built on an outlot in Crosscreek Shopping Center.

Industrially, 2011 was a year of modest growth. The Port Authority finished construction of a new clean room/technology building with lease in place for some of that space occupied immediately by Goodrich. Boeing, Kaiser, and Arvin-Meritor maintained consistent postures.

Plans for 2012 include:

Zoning:	Thornwood Drive Culvert Replacement Project	\$75,000
Streets:	Connecting drain to sewer (EPA)	\$10,000
	Roof Repair	\$35,000
	Zero-turn mower	\$8,800
Parks:	Mower	\$50,000
	Trailer (20')	\$5,000
Pool:	Caulking	\$5,000
	Handicapped chair lift	\$7,000
	Pump and base	\$33,000
Police:	Master clock & displays	\$3,000
	Replace two outdated Dell computer workstations	\$3,000



***Letter of Transmittal  
For the Year Ended December 31, 2011***

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**OTHER INFORMATION**

**Independent Audit**

An audit team from Wilson, Shannon and Snow, Inc. has performed this year's audit. The independent auditor's unqualified opinion has been included in the Independent Auditors' Report which is located at the front of the financial section of 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, 2010. The City has received this award each year since 1994. The GFOA awards a 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. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 through 2008. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

**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.

***Letter of Transmittal  
For the Year Ended December 31, 2011***

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**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, HR Director; and our Department Heads for the extra effort they put forth in the preparation of this report.

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

Special thanks to the members of Heath City Council and Mayor Mark D. Johns whose support is necessary for the City of Heath to conform to reporting requirements established for municipal governments to maintain the sound financial position that the City has enjoyed for many years.

Respectfully,



Keith B. Alexander  
City Auditor

**CITY OF HEATH, OHIO**

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***List of Principal Officials  
For the Year Ended December 31, 2011***

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<b><i>ELECTED OFFICIALS</i></b>	<b><i>OFFICE</i></b>	<b><i>TERM EXPIRES</i></b>	<b><i>SURETY</i></b>
Mark D. Johns	Mayor	01/01/2014	
Keith B. Alexander	Auditor	03/31/2012	B
Cledys Henry	Council Member – at Large President of Council	01/01/2012	
Tim Kelley	Council Member at Large President-Pro-Tem	01/01/2012	
Deborah Cole	Council Member at Large	01/01/2012	
Brian Johnson	Council Member - Ward 1	01/01/2014	
Richard Morrow	Council Member - Ward 2	01/01/2014	
Doug Heffley	Council Member - Ward 3	01/01/2014	
Chris May	Council Member at Large	01/01/2012	

<b><i>ADMINISTRATIVE PERSONNEL</i></b>	<b><i>TITLE</i></b>	<b><i>TERM OF OFFICE</i></b>	<b><i>SURETY</i></b>
Kimberly Geller	Income Tax Commissioner	Indefinite	A
Anthony Shepherd	Police Chief	Indefinite	
John R. Mason	Police Lieutenant	Indefinite	
Mark Huggins	Fire Chief	Indefinite	
John Geller	Utilities Director	Indefinite	
Robert Geller	Street and Parks Superintendent	Indefinite	
John Groff	Building and Zoning Inspector	Indefinite	
Richard Bindley	Law Director	Indefinite	
Jonathan Diernbach	Prosecutor	Indefinite	
Linda M. Richards	Assistant Auditor	Indefinite	
Lynn M. Hunt	Clerk of Council	Indefinite	
Ginna Walker	Mayor's Secretary/Administrative Assistant	Indefinite	
Deborah K. Whitefield	Administrative Assistant	Indefinite	
Charles Kyle	Recreation Director	Indefinite	
Janice M. Wilkin	Communications/Marketing Director	Indefinite	

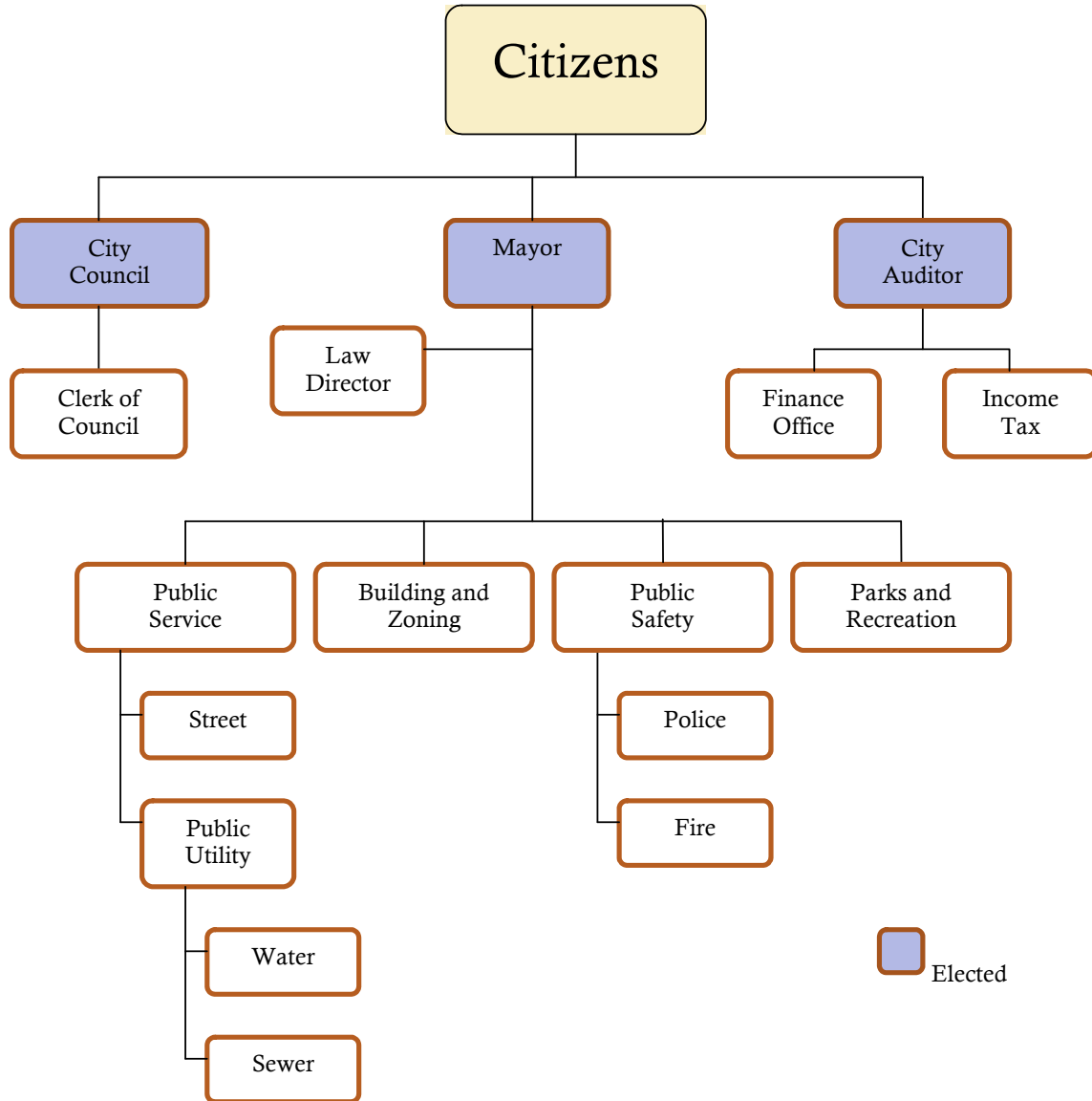
- (A) \$100,000 Fidelity and Deposit Company of Maryland 06/1/04 - Indefinite  
 (B) \$100,000 Ohio Farmers Insurance Company 06/1/04 - Indefinite

**City Address:**

Heath City Hall  
 1287 Hebron Road  
 Heath, Ohio 43056  
<http://www.heathohio.org>

**City Organizational Chart  
For the Year Ended December 31, 2011**

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**Boards and Commissions**

- |                                      |                                   |
|--------------------------------------|-----------------------------------|
| Parks and Recreation Board           | Civil Service Commission          |
| Air Pollution Control Board          | Planning Commission               |
| Board of Zoning and Building Appeals | Reuse Commission / Port Authority |
|                                      | Charter Review Commission         |

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Heath  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

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



*Linda C. Davison*

President

*Jeffrey R. Emsw*

Executive Director



## *FINANCIAL SECTION*

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## INDEPENDENT AUDITORS' REPORT

City of Heath  
Licking County  
1287 Hebron Road  
Heath, Ohio 45056

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Fire Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the City implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and restated net assets to account for unrecorded construction in progress.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

City of Heath  
Licking County  
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not a part of the basic financial statements, Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with the management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information provide additional analysis and are not a required part of the basic financial statements. The financial section's combining statements, individual fund statements and schedules are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
June 20, 2012

The management's discussion and analysis of the City of Heath's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

## **FINANCIAL HIGHLIGHTS**

### **Key financial highlights for 2011 are as follows:**

In total, net assets increased \$2,993,213. Net assets of governmental activities increased \$2,497,927 which represents a 7.4% increase from 2010. Net assets of business-type activities increased \$495,286 or 3% from 2010.

General revenues accounted for \$7.6 million in revenue or 45.3% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for 54.7% of total revenues of \$16.7 million.

The City had \$10.1 million in expenses related to governmental activities; \$5 million of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes) of \$7.6 million assisted in providing for these programs.

Among major funds, the general fund had \$6.8 million in revenues and \$7 million in expenditures and other financing uses. The general fund's fund balance decreased \$242,364 to \$3.5 million.

Net assets for enterprise funds increased by \$480,471. More than half of the increase came in the form of capital contributions.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

**Government-wide Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

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

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

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

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following table provides a comparison of the City's net assets between December 31, 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	Restated	2011	2010	2011	Restated
		2010		2010		2010
Current and other assets	\$8,753,404	\$9,341,244	\$4,952,470	\$5,283,103	\$13,705,874	\$14,624,347
Capital assets, Net	33,514,321	30,660,610	21,049,435	18,494,734	54,563,756	49,155,344
Total assets	42,267,725	40,001,854	26,001,905	23,777,837	68,269,630	63,779,691
Long-term debt outstanding	4,352,507	4,522,165	7,806,857	6,059,193	12,159,364	10,581,358
Other liabilities	1,860,039	1,922,437	1,224,047	1,242,929	3,084,086	3,165,366
Total liabilities	6,212,546	6,444,602	9,030,904	7,302,122	15,243,450	13,746,724
Net assets						
Invested in capital assets, net of related debt	29,909,342	26,920,239	12,254,042	11,458,893	42,163,384	38,379,132
Restricted	3,049,296	4,052,345	0	0	3,049,296	4,052,345
Unrestricted	3,096,541	2,584,668	4,716,959	5,016,822	7,813,500	7,601,490
Total net assets	\$36,055,179	\$33,557,252	\$16,971,001	\$16,475,715	\$53,026,180	\$50,032,967

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 and 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for Services and Sales	\$998,739	\$1,090,898	\$3,905,739	\$3,900,925	\$4,904,478	\$4,991,823
Operating Grants and Contributions	667,962	641,344	0	0	667,962	641,344
Capital Grants and Contributions	3,306,967	1,596,123	252,530	563,705	3,559,497	2,159,828
Total Program Revenues	<u>4,973,668</u>	<u>3,328,365</u>	<u>4,158,269</u>	<u>4,464,630</u>	<u>9,131,937</u>	<u>7,792,995</u>
General revenues:						
Property Taxes	1,174,167	1,183,579	0	0	1,174,167	1,183,579
Income Taxes	5,278,585	4,888,977	0	0	5,278,585	4,888,977
Other Local Taxes	10,388	10,098	0	0	10,388	10,098
Intergovernmental Revenue, Unrestricted	814,944	947,666	0	0	814,944	947,666
Investment Earnings	82,186	160,386	19,419	14,958	101,605	175,344
Miscellaneous	217,901	73,618	0	0	217,901	73,618
Total General Revenues	<u>7,578,171</u>	<u>7,264,324</u>	<u>19,419</u>	<u>14,958</u>	<u>7,597,590</u>	<u>7,279,282</u>
Total Revenues	<u>12,551,839</u>	<u>10,592,689</u>	<u>4,177,688</u>	<u>4,479,588</u>	<u>16,729,527</u>	<u>15,072,277</u>
Program Expenses:						
Security of Persons and Property	4,910,998	4,950,795	0	0	4,910,998	4,950,795
Public Health and Welfare Services	56,000	55,500	0	0	56,000	55,500
Leisure Time Activities	1,458,652	1,324,421	0	0	1,458,652	1,324,421
Community Environment	326,445	249,028	0	0	326,445	249,028
Basic Utility Services	252,530	399,949	0	0	252,530	399,949
Transportation	1,387,741	1,692,428	0	0	1,387,741	1,692,428
General Government	1,423,316	1,482,172	0	0	1,423,316	1,482,172
Interest and Fiscal Charges	238,230	158,538	0	0	238,230	158,538
Business Type Activities:						
Water	0	0	1,588,324	1,541,351	1,588,324	1,541,351
Sewer	0	0	2,094,078	1,928,841	2,094,078	1,928,841
Total Expenses	<u>10,053,912</u>	<u>10,312,831</u>	<u>3,682,402</u>	<u>3,470,192</u>	<u>13,736,314</u>	<u>13,783,023</u>
Total Change in Net Assets	2,497,927	279,858	495,286	1,009,396	2,993,213	1,289,254
Beginning Net Assets, As Reported	32,821,988	32,542,130	16,475,715	15,466,319	49,297,703	48,008,449
Restatement of Net Assets	735,264	0	0	0	735,264	0
Beginning Net Assets, As Restated	<u>33,557,252</u>	<u>32,542,130</u>	<u>16,475,715</u>	<u>15,466,319</u>	<u>50,032,967</u>	<u>48,008,449</u>
Ending Net Assets	<u>\$36,055,179</u>	<u>\$32,821,988</u>	<u>\$16,971,001</u>	<u>\$16,475,715</u>	<u>\$53,026,180</u>	<u>\$49,297,703</u>

***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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***Governmental Activities***

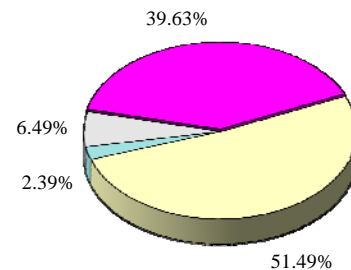
Net assets of the City's governmental activities increased by \$2,497,927. The increase can be attributed to capital contributions from the Ohio Department of Transportation related to the State Route 79 improvements. Revenues and expenditures varied very little other than the large capital contribution of \$2,786,929.

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

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

Property taxes and income taxes made up 9.35% and 42.05% respectively of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating 51.49% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
Intergovernmental Revenue, Unrestricted	\$814,944	6.49%
Program Revenues	4,973,668	39.63%
General Tax Revenues	6,463,140	51.49%
General Other	300,087	2.39%
Total Revenue	<u>\$12,551,839</u>	<u>100.00%</u>



***Business-Type Activities***

Net assets of the business-type activities increased by \$495,286. The 3% increase in net assets can be attributed primarily to receipts of \$252,530 of contributed capital related to donated water lines.

***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$6,413,815, which is a decrease from last year's balance of \$7,030,344. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Fund Balance December 31, 2010	Increase (Decrease)
General	\$3,514,744	\$3,757,108	(\$242,364)
Fire Levy	280,515	305,952	(25,437)
Capital Improvement Fund	1,842,091	1,740,062	102,029
Other Governmental	776,465	1,227,222	(450,757)
Total	<u>\$6,413,815</u>	<u>\$7,030,344</u>	<u>(\$616,529)</u>

General Fund – The City's General Fund balance decreased 6.5% from 2010. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2011 Revenues	2010 Revenues	Increase (Decrease)
Taxes	\$5,389,691	\$5,069,187	\$320,504
Intergovernmental Revenue	662,536	773,167	(110,631)
Charges for Services	400,975	395,060	5,915
Licenses and Permits	24,697	40,464	(15,767)
Investment Earnings	80,839	158,364	(77,525)
Fines and Forfeitures	16,682	62,351	(45,669)
All Other Revenue	217,901	73,618	144,283
Total	<u>\$6,793,321</u>	<u>\$6,572,211</u>	<u>\$221,110</u>

General Fund revenues in 2011 increased approximately 3.4% compared to revenues in fiscal year 2010. Income taxes rebounded slightly due to modest improvement in the economy and helped overcome decreases to virtually all other revenue sources.



***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

	2011 Expenditures	2010 Expenditures	Increase (Decrease)
Security of Persons and Property	\$3,761,402	\$3,651,922	\$109,480
Public Health and Welfare Services	56,000	55,500	500
Leisure Time Activities	810,510	615,676	194,834
Community Environment	322,269	248,970	73,299
General Government	1,337,004	1,418,799	(81,795)
Total	<u>\$6,287,185</u>	<u>\$5,990,867</u>	<u>\$296,318</u>

General Fund expenditures increased by \$296,318 or 4.9% over the prior year due to increased spending on leisure time activities and normal increases in security of persons expenditures.

*Fire Levy Fund* – The balance of this fund decreased by \$25,437 or 8.3% under the prior year, as the City incurred higher personnel costs charged to the Fund.

*Capital Improvement Fund* – The balance in this fund can fluctuate by 50% or more in a given year because this fund is utilized to account for the majority of the City's capital improvements. The level of funding and expenditures vary depending on the City's capital plans for the given year. During 2011, the fund balance increased by 5.9% due primarily to decreased expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

During the course of 2011, the City amended its General Fund budget several times. The increase in the final budgeted appropriations of \$439,552 and the positive variance with the final budget of \$333,413 was the result of carefully watchful spending.

For the General Fund, final budget basis revenue of \$6,455,472 increased by \$161,053 over the original budget estimates of \$6,294,419 primarily as a result of increased tax revenues.

**Management's Discussion and Analysis  
For the Year Ended December 31, 2011**

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2011 the City had \$54,563,756 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$33,514,321 was related to governmental activities and \$21,049,435 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	Restated 2010	
Land	\$10,075,521	\$10,075,521	\$0
Construction in Progress	3,638,113	851,184	2,786,929
Total Non-Depreciable Capital Assets	13,713,634	10,926,705	2,786,929
Buildings	6,436,438	6,427,164	9,274
Improvements Other Than Buildings	3,807,628	3,808,928	(1,300)
Machinery and Equipment	5,999,998	6,075,691	(75,693)
Infrastructure	20,902,256	20,120,956	781,300
Less: Accumulated Depreciation	(17,345,633)	(16,698,834)	(646,799)
Total Depreciable Capital Assets, Net	19,800,687	19,733,905	66,782
Totals	\$33,514,321	\$30,660,610	\$2,853,711

	Business-Type Activities		Increase (Decrease)
	2011	2010	
Land	\$397,374	\$397,374	\$0
Construction in Progress	3,982,931	680,895	3,302,036
Total Non-Depreciable Capital Assets	4,380,305	1,078,269	3,302,036
Buildings	12,675,924	12,693,862	(17,938)
Improvements Other Than Buildings	1,515,418	1,515,418	0
Machinery and Equipment	5,481,115	5,450,908	30,207
Infrastructure	16,625,370	16,625,370	0
Less: Accumulated Depreciation	(19,628,697)	(18,869,093)	(759,604)
Total Depreciable Capital Assets, Net	16,669,130	17,416,465	(747,335)
Totals	\$21,049,435	\$18,494,734	\$2,554,701

***Management's Discussion and Analysis  
For the Year Ended December 31, 2011***

***Unaudited***

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The largest increases in governmental activities capital assets occurred in construction in progress. The cause of the increase is due to the State Route 79 improvements.

Additional information on the City's capital assets can be found in Note 10.

***Debt***

At December 31, 2011, the City had \$5,075,000 in bonds outstanding, \$515,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General Obligation Bonds	\$3,555,000	\$3,735,000
Capital Leases	49,979	5,371
Compensated Absences	747,528	781,794
Total Governmental Activities	<u>4,352,507</u>	<u>4,522,165</u>
Business-Type Activities:		
General Obligation Bonds	1,520,000	1,720,000
OWDA Loans	6,081,565	4,118,537
OPWC Loan	93,828	97,304
Compensated Absences	111,464	123,352
Total Business-Type Activities	<u>7,806,857</u>	<u>6,059,193</u>
Totals	<u>\$12,159,364</u>	<u>\$10,581,358</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. At December 31, 2011, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

**ECONOMIC FACTORS**

Income tax collections for 2011 were up slightly from 2010.

In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated. Also affecting the General Fund and budget are the ever increasing costs associated with employee pay raises, and upwardly spiraling health insurance costs.

City Council continues to review the possibility of increasing existing revenue sources.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Auditor's Office by calling (740) 522-1420 or writing to City of Heath Auditor's Office, 1287 Hebron Rd., Heath, Ohio 43056.

**CITY OF HEATH, OHIO**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,097,853	\$ 2,166,599	\$ 4,264,452
Investments	3,704,451	2,193,795	5,898,246
Receivables:			
Taxes	2,045,467	0	2,045,467
Accounts	7,293	524,637	531,930
Intergovernmental	650,982	0	650,982
Internal Balances	17,073	(17,073)	0
Inventory of Supplies at Cost	134,555	44,907	179,462
Prepaid Items	62,121	39,605	101,726
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	33,609	0	33,609
Non-Depreciable Capital Assets	13,713,634	4,380,305	18,093,939
Depreciable Capital Assets, Net	19,800,687	16,669,130	36,469,817
<b>Total Assets</b>	<b>42,267,725</b>	<b>26,001,905</b>	<b>68,269,630</b>
<b>Liabilities:</b>			
Accounts Payable	96,381	73,776	170,157
Accrued Wages and Benefits Payable	333,985	33,330	367,315
Claims Payable	96,117	0	96,117
Unearned Revenue	1,322,107	0	1,322,107
Accrued Interest Payable	11,449	16,941	28,390
General Obligation Notes Payable	0	1,100,000	1,100,000
Noncurrent liabilities:			
Due within one year	406,914	354,401	761,315
Due in more than one year	3,945,593	7,452,456	11,398,049
<b>Total Liabilities</b>	<b>6,212,546</b>	<b>9,030,904</b>	<b>15,243,450</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	29,909,342	12,254,042	42,163,384
Restricted For:			
Capital Projects	1,851,766	0	1,851,766
Debt Service	128,704	0	128,704
Security of Persons	207,318	0	207,318
Transportation	772,028	0	772,028
Leisure Time Activities	89,480	0	89,480
Unrestricted	3,096,541	4,716,959	7,813,500
<b>Total Net Assets</b>	<b>\$ 36,055,179</b>	<b>\$ 16,971,001</b>	<b>\$ 53,026,180</b>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 4,910,998	\$ 431,382	\$ 0	\$ 13,643
Public Health and Welfare Services	56,000	0	0	0
Leisure Time Activities	1,458,652	520,995	0	10,595
Community Environment	326,445	20,355	0	0
Basic Utility Services	252,530	5,136	0	36,878
Transportation	1,387,741	8,981	667,962	3,242,351
General Government	1,423,316	11,890	0	3,500
Interest and Fiscal Charges	238,230	0	0	0
<b>Total Governmental Activities</b>	<b>10,053,912</b>	<b>998,739</b>	<b>667,962</b>	<b>3,306,967</b>
<b>Business-Type Activities:</b>				
Water	1,588,324	1,794,547	0	252,530
Sewer	2,094,078	2,111,192	0	0
<b>Total Business-Type Activities</b>	<b>3,682,402</b>	<b>3,905,739</b>	<b>0</b>	<b>252,530</b>
<b>Totals</b>	<b>\$ 13,736,314</b>	<b>\$ 4,904,478</b>	<b>\$ 667,962</b>	<b>\$ 3,559,497</b>

**General Revenues:**

Property Taxes  
Municipal Income Taxes  
Other Local Taxes  
Intergovernmental Revenues, Unrestricted  
Investment Earnings  
Miscellaneous  
Total General Revenues  
  
Change in Net Assets  
  
Net Assets Beginning of Year (As Restated, See Note 2)  
  
Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,465,973)	\$ 0	\$ (4,465,973)
(56,000)	0	(56,000)
(927,062)	0	(927,062)
(306,090)	0	(306,090)
(210,516)	0	(210,516)
2,531,553	0	2,531,553
(1,407,926)	0	(1,407,926)
(238,230)	0	(238,230)
<u>(5,080,244)</u>	<u>0</u>	<u>(5,080,244)</u>
0	458,753	458,753
0	17,114	17,114
0	475,867	475,867
<u>(5,080,244)</u>	<u>475,867</u>	<u>(4,604,377)</u>
1,174,167	0	1,174,167
5,278,585	0	5,278,585
10,388	0	10,388
814,944	0	814,944
82,186	19,419	101,605
217,901	0	217,901
<u>7,578,171</u>	<u>19,419</u>	<u>7,597,590</u>
2,497,927	495,286	2,993,213
<u>33,557,252</u>	<u>16,475,715</u>	<u>50,032,967</u>
<u>\$ 36,055,179</u>	<u>\$ 16,971,001</u>	<u>\$ 53,026,180</u>

**CITY OF HEATH, OHIO**

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**Balance Sheet  
Governmental Funds  
December 31, 2011**

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	<u>General</u>	<u>Fire Levy</u>	<u>Capital Improvement</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 619,009	\$ 327,966	\$ 397,168
Investments	2,262,074	0	1,442,377
Receivables:			
Taxes	1,274,138	548,433	21,034
Accounts	7,293	0	0
Intergovernmental	330,760	22,650	0
Inventory of Supplies, at Cost	54,104	0	0
Prepaid Items	54,726	1,196	0
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	0	0
<b>Total Assets</b>	<u>\$ 4,602,104</u>	<u>\$ 900,245</u>	<u>\$ 1,860,579</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 67,592	\$ 6,739	\$ 15,110
Accrued Wages and Benefits Payable	137,273	41,908	0
Deferred Revenue	869,055	571,083	3,378
Compensated Absences Payable	13,440	0	0
<b>Total Liabilities</b>	<u>1,087,360</u>	<u>619,730</u>	<u>18,488</u>
<b>Fund Balances:</b>			
Nonspendable	108,830	1,196	0
Restricted	0	279,319	0
Committed	0	0	1,842,091
Assigned	42,354	0	0
Unassigned	3,363,560	0	0
<b>Total Fund Balances</b>	<u>3,514,744</u>	<u>280,515</u>	<u>1,842,091</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,602,104</u>	<u>\$ 900,245</u>	<u>\$ 1,860,579</u>

See accompanying notes to the basic financial statements



**CITY OF HEATH, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 745,693	\$ 2,089,836
0	3,704,451
201,862	2,045,467
0	7,293
297,572	650,982
80,451	134,555
6,199	62,121
<u>33,609</u>	<u>33,609</u>
<u>\$ 1,365,386</u>	<u>\$ 8,728,314</u>
\$ 6,940	\$ 96,381
154,804	333,985
413,737	1,857,253
<u>13,440</u>	<u>26,880</u>
<u>588,921</u>	<u>2,314,499</u>
86,650	196,676
680,419	959,738
139,009	1,981,100
0	42,354
<u>(129,613)</u>	<u>3,233,947</u>
<u>776,465</u>	<u>6,413,815</u>
<u>\$ 1,365,386</u>	<u>\$ 8,728,314</u>

***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2011***

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**Total Governmental Fund Balances** \$ 6,413,815

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

Capital Assets used in governmental activities are not resources and  
therefore are not reported in the funds. 33,514,321

Other long-term assets are not available to pay for current period  
expenditures and therefore are deferred in the funds. 535,146

Long-term liabilities, including bonds payable and interest, are not due  
and payable in the current period and therefore are not reported in the funds. (4,337,076)

The Internal Service Fund is used by management to charge the costs of  
insurance to individual funds. The assets and liabilities of the internal  
service funds is included in governmental activities in the statement of  
net assets. This is the balance that is recorded in the governmental  
activities. (71,027)

***Net Assets of Governmental Funds*** \$ 36,055,179

See accompanying notes to the basic financial statements



**CITY OF HEATH, OHIO**

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

	General	Fire Levy	Capital Improvement
<b>Revenues:</b>			
Taxes	\$ 5,389,691	\$ 496,945	\$ 163,623
Intergovernmental Revenues	662,536	80,560	94,441
Charges for Services	400,975	0	0
Licenses and Permits	24,697	0	0
Investment Earnings	80,839	199	0
Fines and Forfeitures	16,682	0	0
All Other Revenue	217,901	5,003	13,152
<b>Total Revenues</b>	<u>6,793,321</u>	<u>582,707</u>	<u>271,216</u>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	3,761,402	608,144	93,426
Public Health and Welfare Services	56,000	0	0
Leisure Time Activities	810,510	0	72,553
Community Environment	322,269	0	0
Basic Utility Services	0	0	252,530
Transportation	0	0	204,235
General Government	1,337,004	0	23,966
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<u>6,287,185</u>	<u>608,144</u>	<u>646,710</u>
Excess (Deficiency) of Revenues Over Expenditures	506,136	(25,437)	(375,494)
<b>Other Financing Sources (Uses):</b>			
Capital Lease Issued	0	0	0
Issuance of Refunding Bond	0	0	0
Premium on Refunding Bonds Issued	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Transfers In	0	0	477,523
Transfers Out	(747,450)	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>(747,450)</u>	<u>0</u>	<u>477,523</u>
Net Change in Fund Balances	(241,314)	(25,437)	102,029
<b>Fund Balances at Beginning of Year</b>	3,757,108	305,952	1,740,062
Increase (Decrease) in Inventory Reserve	(1,050)	0	0
<b>Fund Balances End of Year</b>	<u>\$ 3,514,744</u>	<u>\$ 280,515</u>	<u>\$ 1,842,091</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 433,926	\$ 6,484,185
727,131	1,564,668
495,026	896,001
0	24,697
1,148	82,186
22,822	39,504
20,382	256,438
<u>1,700,435</u>	<u>9,347,679</u>
486,983	4,949,955
0	56,000
408,435	1,291,498
0	322,269
0	252,530
1,178,170	1,382,405
0	1,360,970
322,047	322,047
164,084	164,084
<u>2,559,719</u>	<u>10,101,758</u>
(859,284)	(754,079)
61,655	61,655
1,325,000	1,325,000
7,861	7,861
(1,283,255)	(1,283,255)
745,500	1,223,023
(475,573)	(1,223,023)
<u>381,188</u>	<u>111,261</u>
(478,096)	(642,818)
1,227,222	7,030,344
27,339	26,289
<u>\$ 776,465</u>	<u>\$ 6,413,815</u>

***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For the Year Ended December 31, 2011***

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**Net Change in Fund Balances - Total Governmental Funds** \$ (642,818)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation. 2,904,079

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (50,368)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (8,366)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 135,392

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,248

Some expenses reported in the statement of activities, such as change in inventory and compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 87,435

The Internal Service Fund is used to charge the cost of services (e.g. insurance) to individual funds and is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities. 71,325

***Change in Net Assets of Governmental Activities*** \$ 2,497,927

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,069,765	\$ 5,281,680	\$ 5,373,352	\$ 91,672
Intergovernmental Revenue	614,879	564,017	501,374	(62,643)
Charges for Services	384,175	384,175	400,975	16,800
Licenses and Permits	24,750	24,750	24,697	(53)
Investment Earnings	157,500	157,500	90,412	(67,088)
Fines and Forfeitures	18,750	18,750	19,533	783
All Other Revenues	24,600	24,600	217,901	193,301
Total Revenues	<u>6,294,419</u>	<u>6,455,472</u>	<u>6,628,244</u>	<u>172,772</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,614,147	3,882,893	3,753,966	128,927
Public Health and Welfare Services	55,500	56,000	56,000	0
Leisure Time Activities	874,434	917,815	814,653	103,162
Community Environment	304,943	327,843	315,301	12,542
General Government	1,390,469	1,448,044	1,359,262	88,782
Total Expenditures	<u>6,239,493</u>	<u>6,632,595</u>	<u>6,299,182</u>	<u>333,413</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,926	(177,123)	329,062	506,185
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(701,000)	(747,450)	(747,450)	0
Total Other Financing Sources (Uses):	<u>(701,000)</u>	<u>(747,450)</u>	<u>(747,450)</u>	<u>0</u>
Net Change in Fund Balance	(646,074)	(924,573)	(418,388)	506,185
Fund Balance at Beginning of Year	3,155,109	3,155,109	3,155,109	0
Prior Year Encumbrances	78,963	78,963	78,963	0
Fund Balance at End of Year	<u>\$ 2,587,998</u>	<u>\$ 2,309,499</u>	<u>\$ 2,815,684</u>	<u>\$ 506,185</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Fire Levy Fund  
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 489,403	\$ 493,606	\$ 496,945	\$ 3,339
Intergovernmental Revenue	132,770	79,956	80,560	604
Investment Earnings	325	175	199	24
Total Revenues	<u>622,498</u>	<u>573,737</u>	<u>577,704</u>	<u>3,967</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	<u>651,407</u>	<u>671,407</u>	<u>621,472</u>	<u>49,935</u>
Total Expenditures	<u>651,407</u>	<u>671,407</u>	<u>621,472</u>	<u>49,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,909)	(97,670)	(43,768)	53,902
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	<u>0</u>	<u>4,000</u>	<u>5,003</u>	<u>1,003</u>
Total Other Financing Sources (Uses):	<u>0</u>	<u>4,000</u>	<u>5,003</u>	<u>1,003</u>
Net Change in Fund Balance	(28,909)	(93,670)	(38,765)	54,905
Fund Balance at Beginning of Year	352,614	352,614	352,614	0
Prior Year Encumbrances	<u>2,893</u>	<u>2,893</u>	<u>2,893</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 326,598</u>	<u>\$ 261,837</u>	<u>\$ 316,742</u>	<u>\$ 54,905</u>

See accompanying notes to the basic financial statements





**CITY OF HEATH, OHIO**

**Statement of Net Assets  
Proprietary Funds  
December 31, 2011**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
<b>ASSETS:</b>				
Current assets:				
Cash and Cash Equivalents	\$ 1,163,093	\$ 1,003,506	\$ 2,166,599	\$ 8,017
Investments	0	2,193,795	2,193,795	0
Receivables:				
Accounts	230,953	293,684	524,637	0
Inventory of Supplies at Cost	40,542	4,365	44,907	0
Prepaid Items	15,900	23,705	39,605	0
Total current assets	<u>1,450,488</u>	<u>3,519,055</u>	<u>4,969,543</u>	<u>8,017</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	1,064,485	3,315,820	4,380,305	0
Depreciable Capital Assets, Net	9,227,658	7,441,472	16,669,130	0
Total noncurrent assets	<u>10,292,143</u>	<u>10,757,292</u>	<u>21,049,435</u>	<u>0</u>
Total Assets	<u>11,742,631</u>	<u>14,276,347</u>	<u>26,018,978</u>	<u>8,017</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	33,271	40,505	73,776	0
Accrued Wages and Benefits Payable	16,325	17,005	33,330	0
Claims Payable	0	0	0	96,117
Accrued Interest Payable	16,941	0	16,941	0
General Obligation Notes Payable	1,100,000	0	1,100,000	0
General Obligation Bonds Payable - Current	205,000	0	205,000	0
OWDA Loans Payable - Current	0	130,247	130,247	0
OPWC Loans Payable - Current	0	3,476	3,476	0
Compensated Absences Payable - Current	6,776	8,902	15,678	0
Total current liabilities	<u>1,378,313</u>	<u>200,135</u>	<u>1,578,448</u>	<u>96,117</u>

**CITY OF HEATH, OHIO**

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	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
Noncurrent liabilities:				
General Obligation Bonds Payable	1,315,000	0	1,315,000	0
OWDA Loans Payable	0	5,951,318	5,951,318	0
OPWC Loans Payable	0	90,352	90,352	0
Compensated Absences Payable	25,939	69,847	95,786	0
Total noncurrent liabilities	<u>1,340,939</u>	<u>6,111,517</u>	<u>7,452,456</u>	<u>0</u>
Total Liabilities	<u>2,719,252</u>	<u>6,311,652</u>	<u>9,030,904</u>	<u>96,117</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	7,672,143	4,581,899	12,254,042	0
Unrestricted	1,351,236	3,382,796	4,734,032	(88,100)
Total net assets	<u>\$ 9,023,379</u>	<u>\$ 7,964,695</u>	<u>16,988,074</u>	<u>\$ (88,100)</u>
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(17,073)
			Net Assets of Business-type Activities	<u>\$ 16,971,001</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,792,241	\$ 2,105,506	\$ 3,897,747	\$ 918,000
Other Operating Revenue	2,306	5,686	7,992	191,859
<b>Total Operating Revenues</b>	<u>1,794,547</u>	<u>2,111,192</u>	<u>3,905,739</u>	<u>1,109,859</u>
<b>Operating Expenses:</b>				
Personal Services	605,584	623,521	1,229,105	0
Contractual Services	368,243	869,372	1,237,615	0
Materials and Supplies	200,389	87,179	287,568	0
Health Claims Expense	0	0	0	1,023,719
Depreciation	363,547	408,300	771,847	0
<b>Total Operating Expenses</b>	<u>1,537,763</u>	<u>1,988,372</u>	<u>3,526,135</u>	<u>1,023,719</u>
<b>Operating Income</b>	256,784	122,820	379,604	86,140
<b>Non-operating Revenue (Expenses):</b>				
Investment Earnings	0	19,419	19,419	0
Interest and Fiscal Charges	(58,110)	(102,807)	(160,917)	0
Loss on Disposal of Capital Assets	0	(10,165)	(10,165)	0
<b>Total Non-operating Revenues (Expenses)</b>	<u>(58,110)</u>	<u>(93,553)</u>	<u>(151,663)</u>	<u>0</u>
<b>Income Before Contributions</b>	198,674	29,267	227,941	86,140
Capital Contributions	252,530	0	252,530	0
<b>Change in Net Assets</b>	451,204	29,267	480,471	86,140
<b>Net Assets Beginning of Year</b>	8,572,175	7,935,428	16,507,603	(174,240)
<b>Net Assets End of Year</b>	<u>\$ 9,023,379</u>	<u>\$ 7,964,695</u>	<u>16,988,074</u>	<u>\$ (88,100)</u>
			Change in Net Assets - Total Enterprise Funds	480,471
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	14,815
			Change in Net Assets - Business-type Activities	<u>\$ 495,286</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2011**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,767,034	\$2,101,735	\$3,868,769	\$918,000
Cash Payments for Goods and Services	(578,696)	(978,048)	(1,556,744)	0
Cash Payments to Employees	(610,761)	(629,447)	(1,240,208)	(1,113,761)
Other Operating Cash Receipts	2,306	5,686	7,992	191,859
Net Cash Provided (Used) by Operating Activities	579,883	499,926	1,079,809	(3,902)
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(200,000)	0	(200,000)	0
Issuance of General Obligation Note Payable	1,100,000	0	1,100,000	0
Principal Paid on General Obligation Note Payable	(1,100,000)	0	(1,100,000)	0
Acquisition and Construction of Assets	(507,988)	(2,576,195)	(3,084,183)	0
Principal Paid on Ohio Water Development Authority Loans	0	(629,123)	(629,123)	0
Principal Paid on Ohio Public Works Commission Loans	0	(3,476)	(3,476)	0
Receipt of Ohio Water Development Authority Loans	0	2,858,736	2,858,736	0
Interest Paid on All Debt	(58,310)	(102,807)	(161,117)	0
Net Cash Used for Capital and Related Financing Activities	(766,298)	(452,865)	(1,219,163)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	(360,937)	(360,937)	0
Receipts of Interest	0	33,149	33,149	0
Net Cash Used by Investing Activities	0	(327,788)	(327,788)	0
Net Decrease in Cash and Cash Equivalents	(186,415)	(280,727)	(467,142)	(3,902)
Cash and Cash Equivalents at Beginning of Year	1,349,508	1,284,233	2,633,741	11,919
Cash and Cash Equivalents at End of Year	\$1,163,093	\$1,003,506	\$2,166,599	\$8,017
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income	\$256,784	\$122,820	\$379,604	\$86,140
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	363,547	408,300	771,847	0
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(25,207)	(3,771)	(28,978)	0
(Increase) Decrease in Inventory	(10,511)	1,682	(8,829)	0
Increase in Prepaid Items	(1,825)	(1,440)	(3,265)	0
Increase (Decrease) in Accounts Payable	2,272	(21,739)	(19,467)	0
Decrease in Health Claims Payable	0	0	0	(90,042)
Increase (Decrease) in Accrued Wages and Benefits Payable	1,198	(413)	785	0
Decrease in Compensated Absences Payable	(6,375)	(5,513)	(11,888)	0
Total Adjustments	323,099	377,106	700,205	(90,042)
Net Cash Provided (Used) by Operating Activities	\$579,883	\$499,926	\$1,079,809	(\$3,902)

Schedule of Noncash Investing, Capital and Financing Activities:

During 2011, the fair value of investments reported in the Sewer Fund decreased by \$13,730. During 2011 the Water Fund received \$252,530 of contributed capital assets.

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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**Statement of Net Assets  
Fiduciary Fund  
December 31, 2011**

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	Private Purpose Trust
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 5,274
<b>Total Assets</b>	<u>5,274</u>
<b>Liabilities:</b>	
<b>Total Liabilities</b>	<u>0</u>
<b>Net Assets:</b>	
Unrestricted	<u>5,274</u>
<b>Total Net Assets</b>	<u>\$ 5,274</u>

See accompanying notes to the basic financial statements

***Statement of Changes in Net Assets  
Fiduciary Fund  
For the Year Ended December 31, 2011***

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	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Contributions	\$ 421
Total Additions	<u>421</u>
<b>Deductions:</b>	
Total Deductions	<u>0</u>
Change in Net Assets	421
Net Assets at Beginning of Year	<u>4,853</u>
Net Assets End of Year	<u><u>\$ 5,274</u></u>

See accompanying notes to the basic financial statements

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements are presented as of December 31, 2011 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

**A. Reporting Entity**

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations are Component Units"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

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

**B. Basis of Presentation - Fund Accounting**

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

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



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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation - Fund Accounting** (Continued)

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

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

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

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

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

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

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

Internal Service Fund - This fund is used to account for health insurance services provided to other departments or agencies of the governmental unit on a cost-reimbursement basis.

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

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

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

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

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

Property taxes measurable as of December 31, 2011 but which are not intended to finance 2011 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 7.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting** (Continued)

The accrual basis of accounting is utilized for reporting purposes for the government-wide, the proprietary fund and the fiduciary fund financial statements. 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. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

**E. Budgetary Process**

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

All funds are legally required to be budgeted and appropriated; however, only the General and Major Special Revenue Fund are required to be reported. The legal level of budgetary control is by fund at the 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. 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 2011.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process** (Continued)

2. 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 2011, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

3. Lapsing of Appropriations

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

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**4. Budgetary Basis of Accounting**

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

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

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	(\$241,314)	(\$25,437)
Increase (Decrease):		
Accrued Revenues at December 31, 2011 received during 2012	(757,179)	0
Accrued Revenues at December 31, 2010 received during 2011	592,102	0
Accrued Expenditures at December 31, 2011 paid during 2012	218,305	48,647
Accrued Expenditures at December 31, 2010 paid during 2011	(179,972)	(50,675)
2010 Prepays for 2011	55,752	1,120
2011 Prepays for 2012	(54,726)	(1,196)
Outstanding Encumbrances	(51,356)	(11,224)
Budget Basis	<u>(\$418,388)</u>	<u>(\$38,765)</u>

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

During fiscal year 2011, cash and cash equivalents included amounts in demand deposits, certificates of deposit, U.S. Treasury Money Market accounts in Fifth-Third and Merrill Lynch investment accounts and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic 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. (See Note 6, "Cash, Cash Equivalents and Investments.")

**G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is 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 2011. 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, 2011.

**H. Inventory**

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

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation**

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

**1. Property, Plant and Equipment - Governmental Activities**

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

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

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

**2. Property, Plant and Equipment – Business Type Activities**

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



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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation (Continued)**

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress.

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

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

**K. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund, Swimming Pool Fund, Water Fund
Capital Leases	Street Construction, Maintenance and Repair Fund
Ohio Water Development Authority Loans	Sewer Fund
Ohio Public Works Commission Loan	Sewer Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Fire Levy Fund Water Fund Sewer Fund

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Compensated Absences**

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

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

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

**M. Restricted Assets**

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

**N. Pensions**

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

**O. Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Self-Funded Insurance**

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

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Flows of cash or goods from one fund to another with a requirement for repayment are reported as Interfund Loans Receivable/Payable. There were no outstanding interfund loans at December 31, 2011. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

**R. Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Fund Balance (Continued)**

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

**S. Net Assets**

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

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

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

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**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND  
BALANCE/NET ASSETS**

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”.

Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions. The application of this new standard did not have an effect on prior year fund balances.

The City restated balances within the Governmental Activities to book construction in progress not recorded previously.

	<u>Governmental Activities</u>
Net Assets at December 31, 2010	\$32,821,988
Restatement of Error	<u>735,264</u>
Net Assets as Restated	<u><u>\$33,557,252</u></u>

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

**NOTE 3 – FUND BALANCE CLASSIFICATION**

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$54,726	\$1,196	\$0	\$6,199	\$62,121
Supplies Inventory	54,104	0	0	80,451	134,555
<b>Total Nonspendable</b>	<b>108,830</b>	<b>1,196</b>	<b>0</b>	<b>86,650</b>	<b>196,676</b>
Restricted:					
Transportation Projects	0	0	0	501,537	501,537
Park Maintenance	0	0	0	79,939	79,939
Law Enforcement	0	0	0	89,268	89,268
Fire Department	0	279,319	0	0	279,319
Capital Improvements	0	0	0	9,675	9,675
<b>Total Restricted</b>	<b>0</b>	<b>279,319</b>	<b>0</b>	<b>680,419</b>	<b>959,738</b>
Committed:					
Debt Service	0	0	0	134,241	134,241
Swimming Pool	0	0	0	4,768	4,768
Capital Improvements	0	0	1,842,091	0	1,842,091
<b>Total Committed</b>	<b>0</b>	<b>0</b>	<b>1,842,091</b>	<b>139,009</b>	<b>1,981,100</b>
Assigned:					
Encumbrances	42,354	0	0	0	42,354
Unassigned	3,363,560	0	0	(129,613)	3,233,947
<b>Total Fund Balances</b>	<b>\$3,514,744</b>	<b>\$280,515</b>	<b>\$1,842,091</b>	<b>\$776,465</b>	<b>\$6,413,815</b>

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

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**NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

Delinquent Income Tax Revenue	\$112,605
Delinquent Property Tax Revenue	33,346
Shared Revenues	389,195
	<u>\$535,146</u>

*Long-Term liabilities not reported in the funds:*

General Obligation Bonds Payable	(\$3,555,000)
Capital Leases Payable	(49,979)
Accrued Interest on Long-Term Debt	(11,449)
Compensated Absences Payable	(720,648)
	<u>(\$4,337,076)</u>

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

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**NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

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

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

Capital Outlay	\$3,975,663
Depreciation Expense	(1,071,584)
	<u>\$2,904,079</u>

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$2,994
Decrease in Delinquent Property Tax	(24,039)
Increase in Shared Revenue	12,679
	<u>(\$8,366)</u>

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

General Obligation Bond Principal	\$220,000
Swimming Pool General Obligation Bond Principal	85,000
Capital Lease Issued	(61,655)
Noncapitalized Bond Issuance Costs	(83,255)
Capital Lease Payments	17,047
Issuance of Refunding Bond	(1,325,000)
Payment to Refunded Bond Escrow Agent	1,283,255
	<u>\$135,392</u>

*Expenses not requiring the use of current financial resources:*

Increase in Compensated Absences Payable	\$61,146
Increase in supplies inventory	26,289
	<u>\$87,435</u>



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

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**NOTE 5 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficits**

The fund deficits at December 31, 2011 of \$59,278 in the Fire Pension Fund, of \$70,335 in the Police Pension Fund (special revenue funds) and of \$88,100 in the Self Insurance Fund (internal service fund) arise from the recognition of expenditures/expenses on the modified accrual/accrual basis that are greater than expenditures/expenses recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

**NOTE 6 - 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;

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

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**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- 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;
- Time certificates of deposit or savings or deposit accounts including, but not limited to passbook accounts;
- Bonds and other obligations of the State of Ohio or Ohio local governments;
- 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).

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The City has no policy on custodial credit risk and is governed by Ohio Revised Code. 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. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

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

**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

At year end the carrying amount of the City’s deposits was \$5,277,828 and the bank balance was \$5,431,825. Federal depository insurance covered \$1,000,000 of the bank balance. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$4,431,825</u>
Total Balance	<u><u>\$4,431,825</u></u>

**B. Investments**

The City’s investments at December 31, 2011 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$962,580	AAAm <sup>1</sup>	\$962,580	\$0	\$0
FNMA	786,826	AA+	0	20,686	766,140
FHLB	1,315,792	AA+	0	975,638	340,154
FHLMC	501,175	AA+	0	0	501,175
FFCB	317,571	AA+	0	317,571	0
Municipal Bonds	<u>1,006,200</u>	AA+	<u>0</u>	<u>0</u>	<u>1,006,200</u>
Total Investments	<u><u>\$4,890,144</u></u>		<u><u>\$962,580</u></u>	<u><u>\$1,313,895</u></u>	<u><u>\$2,613,669</u></u>

Credit rating from Standard & Poor’s

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The City has no policy on interest rate risk and is governed by Ohio Revised Code as described under Deposits.

*Investment Credit Risk* – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 16.1% are FNMA, 26.9% are FHLB, 10.2% are FHLMC, 19.7% are STAR Ohio, 6.5% are FFCB and 20.6% are Municipal Bonds.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

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

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**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**C. Cash With Fiscal Agent**

The City has uninsured and uncollateralized cash in the amount of \$33,609 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 basic financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per GASB Statement No. 9	\$4,269,726	\$5,898,246
Certificates of Deposit (with maturities of more than 3 months)	1,970,682	(1,970,682)
Investments:		
STAR Ohio	(962,580)	962,580
Per GASB Statement No. 3	<u>\$5,277,828</u>	<u>\$4,890,144</u>

\* Does not include cash with fiscal agent.

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

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**NOTE 7 - 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 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, 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 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business a railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2011 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2011 levy was based was \$268,239,290. This amount constitutes \$262,311,980 in real property assessed value and \$5,927,310 in public utility assessed.

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

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

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**NOTE 7 - TAXES (Continued)**

**A. Property Taxes (Continued)**

Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2011 and for which there is an enforceable legal claim. In the General Fund, Fire Levy Fund, Fire Pension Fund and Police Pension Fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**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 8 - RECEIVABLES**

Receivables at December 31, 2011 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

**NOTE 9 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2011:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
General Fund	\$0	\$747,450
Capital Improvement Fund	477,523	0
Other Governmental Funds	745,500	475,573
Totals	<u>\$1,223,023</u>	<u>\$1,223,023</u>

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

**NOTE 9 – TRANSFERS (Continued)**

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to transfer capital assets. All transfers are considered allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2011:

<i>Historical Cost:</i>	Restated December 31, 2010	Additions	Deletions	December 31, 2011
<u>Class</u>				
<b><i>Non-Depreciable Capital Assets:</i></b>				
Land	\$10,075,521	\$0	\$0	\$10,075,521
Construction in Progress	851,184	2,786,929	0	3,638,113
Subtotal	<u>10,926,705</u>	<u>2,786,929</u>	<u>0</u>	<u>13,713,634</u>
<b><i>Depreciable Capital Assets:</i></b>				
Buildings	6,427,164	9,274	0	6,436,438
Improvements other than Buildings	3,808,928	3,500	(4,800)	3,807,628
Machinery and Equipment	6,075,691	271,560	(347,253)	5,999,998
Infrastructure	20,120,956	904,400	(123,100)	20,902,256
Subtotal	<u>36,432,739</u>	<u>1,188,734</u>	<u>(475,153)</u>	<u>37,146,320</u>
Total Cost	<u>\$47,359,444</u>	<u>\$3,975,663</u>	<u>(\$475,153)</u>	<u>\$50,859,954</u>
<b><i>Accumulated Depreciation:</i></b>				
<u>Class</u>	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings	(\$2,514,203)	(\$149,830)	\$0	(\$2,664,033)
Improvements other than Buildings	(1,526,310)	(180,091)	2,160	(1,704,241)
Machinery and Equipment	(4,216,773)	(200,785)	310,716	(4,106,842)
Infrastructure	(8,441,548)	(540,878)	111,909	(8,870,517)
Total Depreciation	<u>(\$16,698,834)</u>	<u>(\$1,071,584)*</u>	<u>\$424,785</u>	<u>(\$17,345,633)</u>
<b><i>Net Value:</i></b>	<u>\$30,660,610</u>			<u>\$33,514,321</u>

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

**NOTE 10 - CAPITAL ASSETS (Continued)**

**A. Governmental Activities Capital Assets (Continued)**

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$184,672
Leisure Time Activities	263,066
Community Environment	1,918
Transportation	597,227
General Government	24,701
Total Depreciation Expense	<u>\$1,071,584</u>

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2011:

**Historical Cost:**

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<b>Non-Depreciable Capital Assets:</b>				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	680,895	3,302,036	0	3,982,931
Subtotal	<u>1,078,269</u>	<u>3,302,036</u>	<u>0</u>	<u>4,380,305</u>
<b>Depreciable Capital Assets:</b>				
Buildings	12,693,862	0	(17,938)	12,675,924
Improvements Other Than Buildings	1,515,418	0	0	1,515,418
Machinery and Equipment	5,450,908	34,677	(4,470)	5,481,115
Infrastructure	16,625,370	0	0	16,625,370
Subtotal	<u>36,285,558</u>	<u>34,677</u>	<u>(22,408)</u>	<u>36,297,827</u>
Total Cost	<u>\$37,363,827</u>	<u>\$3,336,713</u>	<u>(\$22,408)</u>	<u>\$40,678,132</u>

**Accumulated Depreciation:**

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings	(\$5,626,299)	(\$305,448)	\$7,773	(\$5,923,974)
Improvements Other Than Buildings	(977,726)	(74,421)	0	(1,052,147)
Machinery and Equipment	(4,394,286)	(119,853)	4,470	(4,509,669)
Infrastructure	(7,870,782)	(272,125)	0	(8,142,907)
Total Depreciation	<u>(\$18,869,093)</u>	<u>(\$771,847)</u>	<u>\$12,243</u>	<u>(\$19,628,697)</u>
<b>Net Value:</b>	<u>\$18,494,734</u>			<u>\$21,049,435</u>



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

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

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

**A. Ohio Public Employees Retirement System (“OPERS”)**

The following information was provided by OPERS 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 one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City’s required contributions for pension obligations to OPERS for the years ending December 31, 2011, 2010, and 2009 were \$289,456, \$204,533 and \$232,434, respectively, which were equal to the required contributions for each year.

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

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

All City full-time police officers and full-time firefighters participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. 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. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2011, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$157,983, \$154,306 and \$142,978 for police and \$192,866, \$169,623 and \$198,150 for firefighters, respectively, which were equal to the required contributions for each year.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System (“OPERS”)**

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

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

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

**A. Ohio Public Employees Retirement System (“OPERS”) (Continued)**

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2011, 2010, and 2009 were \$115,783, \$138,628 and \$168,067, respectively, which were equal to the required contributions for each year.

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

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

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

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

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2011, 2010, and 2009 were \$83,638, \$81,691 and \$75,694 for police and \$75,469, \$66,374 and \$77,537 for firefighters, respectively, which were equal to the required contributions for each year.

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

**NOTE 13 – COMPENSATED ABSENCES**

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

At December 31, 2011, the City's accumulated, unpaid compensated absences amounted to \$858,992. Of this amount, \$747,528 is recorded as Governmental Activities on the Entity Wide Statement of Net Assets (\$87,877 is reported as due within one year), \$111,464 is recorded as Business-type activities (\$15,678 is reported as due within one year).

**NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2011 were as follows:

	Original Liability		Balance December 31, 2010	Additions	(Reductions)	Balance December 31, 2011	Amounts Due Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
4.25 - 5.05%	Swimming Pool Improvement	1,850,000	2022	\$1,285,000	\$0	(\$1,285,000)	\$0
2.00 - 3.63%	Swimming Pool Refunding	1,325,000	2022	0	1,325,000	(20,000)	1,305,000
3.00 - 5.00%	State Route 79 Improvement	2,035,000	2023	1,475,000	0	(90,000)	1,385,000
1.20 - 3.50%	Fire Station Refunding	1,195,000	2018	975,000	0	(110,000)	865,000
	Total General Obligation Bonds			3,735,000	1,325,000	(1,505,000)	3,555,000
	Capital Leases	89,348		5,371	61,655	(17,047)	49,979
	Compensated Absences			781,794	122,093	(156,359)	747,528
	<b>Total Governmental Long-Term Debt</b>			<b>\$4,522,165</b>	<b>\$1,508,748</b>	<b>(\$1,678,406)</b>	<b>\$4,352,507</b>
<b>Business Type Activities:</b>							
General Obligation Bond:							
1.20 - 3.50%	Water Refunding	2,100,000	2018	\$1,720,000	\$0	(\$200,000)	\$1,520,000
	Total General Obligation Bonds			1,720,000	0	(200,000)	1,520,000
Ohio Water Development Authority Loans:							
5.00%	Loan SRF-112	6,558,290	2012	503,639	0	(503,639)	0
3.76%	Loan SRF-4011	2,757,604	2024	2,263,387	0	(125,484)	2,137,903
3.25%	Loan SRF-5657	4,110,016	2032	1,351,511	2,592,151	0	3,943,662
	Total OWDA Loans			4,118,537	2,592,151	(629,123)	6,081,565
0.00%	OPWC Loan Payable	104,256	2038	97,304	0	(3,476)	93,828
	Compensated Absences			123,352	6,615	(18,503)	111,464
	<b>Total Business Type Long-Term Debt</b>			<b>\$6,059,193</b>	<b>\$2,598,766</b>	<b>(\$851,102)</b>	<b>\$7,806,857</b>

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

**NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

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

Years	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$310,000	\$120,234	\$205,000	\$42,175
2013	320,000	112,461	205,000	38,075
2014	330,000	104,110	210,000	33,462
2015	340,000	95,010	215,000	28,212
2016	350,000	84,820	220,000	22,300
2017-2021	1,485,000	253,441	465,000	23,926
2022-2024	420,000	26,044	0	0
Totals	\$3,555,000	\$796,120	\$1,520,000	\$188,150

Years	OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest
2012	\$130,247	\$79,173	\$3,476	\$0
2013	135,191	74,229	3,476	0
2014	140,321	69,098	3,476	0
2015	145,647	63,772	3,476	0
2016	151,174	58,244	3,476	0
2017-2021	846,416	200,676	17,380	0
2022-2026	588,907	39,351	17,380	0
2027-2031	3,943,662	43,924	17,380	0
2032-2036	0	0	17,380	0
2037-2038	0	0	6,928	0
Totals	\$6,081,565	\$628,467	\$93,828	\$0

**A. Defeased Debt**

In September 2009, the City refunded \$1,150,000 of General Obligation Bonds for Fire Station Improvements, through the issuance of \$1,195,000 of General Obligation Bonds. The net proceeds of the 2009 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government 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 have an outstanding balance of \$855,000 at December 31, 2011, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

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

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**NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

**A. Defeased Debt** (Continued)

In September 2009, the City refunded \$2,025,000 of General Obligation Bonds for Water Improvements, through the issuance of \$2,100,000 of General Obligation Bonds. The net proceeds of the 2009 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government 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 have an outstanding balance of \$1,515,000 at December 31, 2011, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In April 2011, the City refunded \$1,200,000 of General Obligation Bonds for Swimming Pool Improvements, through the issuance of \$1,325,000 of General Obligation Bonds. The net proceeds of the 2011 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government 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 have an outstanding balance of \$1,200,000 at December 31, 2011, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$40,758 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$36,936.

**B. OWDA Loans**

The City has various outstanding Ohio Water Development Authority Loans ranging from 3.25% - 5% for various wastewater treatment plant improvements. The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the loans outstanding. The loans are payable solely from sewer customer net revenues and are payable through 2012, 2024 and 2032 for the three separate loans outstanding.

**C. OPWC Loans**

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$104,256 borrowed from the Ohio Public Works Commission in 2008. Proceeds from this loan provided for the improvement of sewer lines at the Heath-Newark-Licking County Port Authority. This loan was issued interest free.

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

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**NOTE 15 - CAPITAL LEASES**

The City leases a pick-up truck (ended in 2011) and a Durapatcher (roadway spray patching machine). The cost of the equipment obtained under the lease agreements (\$86,265) is included in the Governmental Activities capital assets as machinery and equipment. The liabilities for these leases are recorded on the Statement of Net Assets as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2011:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2012	\$11,676
2013	11,676
2014	11,676
2015	11,676
2016	<u>11,676</u>
Minimum Lease Payments	58,380
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(8,401)</u>
Present value of minimum lease payments	<u><u>\$49,979</u></u>

**NOTE 16 - RISK MANAGEMENT**

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

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



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

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**NOTE 16 - RISK MANAGEMENT (Continued)**

The City has a group health insurance program for employees and their eligible dependents. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) are available to pay claims and administrative costs. The plan is administered by a third party administrator, Aultra Administrative Group, which monitors all claim payments. Excess loss coverage, provided by the HCC Life Insurance Company, becomes effective after \$35,000 per year per specific claim. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$96,117 reported in the fund at December 31, 2011 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 2010 and 2011 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2010	\$164,302	\$1,004,892	(\$983,035)	\$186,159
2011	186,159	1,023,719	(1,113,761)	96,117

**NOTE 17 - CONTINGENCIES**

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

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

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**NOTE 18 - 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 Notes:	Balance December 31, 2010	Issued	(Retired)	Balance December 31, 2011
Water Fund:				
1.50% Water Tank Note	\$1,100,000	\$1,100,000	(\$1,100,000)	\$1,100,000

*COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES*

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

***Nonmajor Governmental Funds***

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***Special Revenue Funds***

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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.

**Municipal Motor Vehicle License Tax Fund**

To account for county-levied motor vehicle registration fees designated for street construction, maintenance and repair.

**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.

**Police Professional Training Fund**

To account for the cost of continuing professional training programs for police personnel.

(Continued)

***Special Revenue Funds***

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**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.

**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.

***Debt Service Fund***

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

**General Obligation Debt Service Fund**

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

***Capital Projects Funds***

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

**County Road Fund**

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

**Irving Wick Drive Improvement Fund**

To account for financial resources used for improvements along Irving Wick Drive.

**Paving Fund**

To account for financial resources used for various paving projects throughout the City.

**CITY OF HEATH, OHIO**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2011**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 632,675	\$ 9,675	\$ 103,343	\$ 745,693
Receivables:				
Taxes	165,052	0	36,810	201,862
Intergovernmental	297,572	0	0	297,572
Inventory of Supplies, at Cost	80,451	0	0	80,451
Prepaid Items	6,199	0	0	6,199
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	33,609	0	0	33,609
<b>Total Assets</b>	<u>\$ 1,215,558</u>	<u>\$ 9,675</u>	<u>\$ 140,153</u>	<u>\$ 1,365,386</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 6,940	\$ 0	\$ 0	\$ 6,940
Accrued Wages and Benefits Payable	154,804	0	0	154,804
Deferred Revenue	407,825	0	5,912	413,737
Compensated Absences Payable	13,440	0	0	13,440
<b>Total Liabilities</b>	<u>583,009</u>	<u>0</u>	<u>5,912</u>	<u>588,921</u>
<b>Fund Balances:</b>				
Nonspendable	86,650	0	0	86,650
Restricted	670,744	9,675	0	680,419
Committed	4,768	0	134,241	139,009
Unassigned	(129,613)	0	0	(129,613)
<b>Total Fund Balances</b>	<u>632,549</u>	<u>9,675</u>	<u>134,241</u>	<u>776,465</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,215,558</u>	<u>\$ 9,675</u>	<u>\$ 140,153</u>	<u>\$ 1,365,386</u>

**CITY OF HEATH, OHIO**

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

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 147,586	\$ 0	\$ 286,340	\$ 433,926
Intergovernmental Revenues	727,131	0	0	727,131
Charges for Services	495,026	0	0	495,026
Investment Earnings	1,148	0	0	1,148
Fines and Forfeitures	22,822	0	0	22,822
All Other Revenue	20,382	0	0	20,382
<b>Total Revenue</b>	<u>1,414,095</u>	<u>0</u>	<u>286,340</u>	<u>1,700,435</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	486,983	0	0	486,983
Leisure Time Activities	408,435	0	0	408,435
Transportation	1,178,170	0	0	1,178,170
Debt Service:				
Principal Retirement	122,047	0	200,000	322,047
Interest and Fiscal Charges	27,427	0	136,657	164,084
<b>Total Expenditures</b>	<u>2,223,062</u>	<u>0</u>	<u>336,657</u>	<u>2,559,719</u>
Excess (Deficiency) of Revenues Over Expenditures	(808,967)	0	(50,317)	(859,284)
<b>Other Financing Sources (Uses):</b>				
Capital Lease Issued	61,655	0	0	61,655
Issuance of Refunding Bond	0	0	1,325,000	1,325,000
Premium on Refunding Bonds	0	0	7,861	7,861
Payment to Refunding Bond Escrow Agent	0	0	(1,283,255)	(1,283,255)
Transfers In	745,500	0	0	745,500
Transfers Out	0	(475,573)	0	(475,573)
<b>Total Other Financing Sources (Uses)</b>	<u>807,155</u>	<u>(475,573)</u>	<u>49,606</u>	<u>381,188</u>
Net Change in Fund Balance	(1,812)	(475,573)	(711)	(478,096)
<b>Fund Balances at Beginning of Year</b>	607,022	485,248	134,952	1,227,222
Increase in Inventory Reserve	27,339	0	0	27,339
<b>Fund Balances End of Year</b>	<u>\$ 632,549</u>	<u>\$ 9,675</u>	<u>\$ 134,241</u>	<u>\$ 776,465</u>

**CITY OF HEATH, OHIO**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2011**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 183,910	\$ 112,841	\$ 0	\$ 9,652	\$ 148,286
Receivables:					
Taxes	0	0	0	0	0
Intergovernmental	191,355	30,266	0	0	68,864
Inventory of Supplies, at Cost	78,795	0	0	1,656	0
Prepaid Items	3,082	0	0	3,117	0
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	33,609	0	0
<b>Total Assets</b>	<b>\$ 457,142</b>	<b>\$ 143,107</b>	<b>\$ 33,609</b>	<b>\$ 14,425</b>	<b>\$ 217,150</b>
<b>Liabilities:</b>					
Accounts Payable	\$ 3,972	\$ 1,445	\$ 0	\$ 883	\$ 0
Accrued Wages and Benefits Payable	12,966	0	0	4,001	0
Deferred Revenue	134,237	22,016	33,609	0	45,909
Compensated Absences Payable	13,440	0	0	0	0
<b>Total Liabilities</b>	<b>164,615</b>	<b>23,461</b>	<b>33,609</b>	<b>4,884</b>	<b>45,909</b>
<b>Fund Balances:</b>					
Nonspendable	81,877	0	0	4,773	0
Restricted	210,650	119,646	0	0	171,241
Committed	0	0	0	4,768	0
Unassigned	0	0	0	0	0
<b>Total Fund Balances</b>	<b>292,527</b>	<b>119,646</b>	<b>0</b>	<b>9,541</b>	<b>171,241</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 457,142</b>	<b>\$ 143,107</b>	<b>\$ 33,609</b>	<b>\$ 14,425</b>	<b>\$ 217,150</b>



**CITY OF HEATH, OHIO**

Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education	D.A.R.E.	Conn Memorial Trust	Nonmajor Special Revenue Funds
\$ 3,424	\$ 4,800	\$ 57,652	\$ 1,876	\$ 22,639	\$ 7,656	\$ 79,939	\$ 632,675
82,526	82,526	0	0	0	0	0	165,052
3,501	3,501	0	0	85	0	0	297,572
0	0	0	0	0	0	0	80,451
0	0	0	0	0	0	0	6,199
0	0	0	0	0	0	0	33,609
<u>\$ 89,451</u>	<u>\$ 90,827</u>	<u>\$ 57,652</u>	<u>\$ 1,876</u>	<u>\$ 22,724</u>	<u>\$ 7,656</u>	<u>\$ 79,939</u>	<u>\$ 1,215,558</u>
\$ 0	\$ 0	\$ 640	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,940
62,702	75,135	0	0	0	0	0	154,804
86,027	86,027	0	0	0	0	0	407,825
0	0	0	0	0	0	0	13,440
<u>148,729</u>	<u>161,162</u>	<u>640</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>583,009</u>
0	0	0	0	0	0	0	86,650
0	0	57,012	1,876	22,724	7,656	79,939	670,744
0	0	0	0	0	0	0	4,768
<u>(59,278)</u>	<u>(70,335)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(129,613)</u>
<u>(59,278)</u>	<u>(70,335)</u>	<u>57,012</u>	<u>1,876</u>	<u>22,724</u>	<u>7,656</u>	<u>79,939</u>	<u>632,549</u>
<u>\$ 89,451</u>	<u>\$ 90,827</u>	<u>\$ 57,652</u>	<u>\$ 1,876</u>	<u>\$ 22,724</u>	<u>\$ 7,656</u>	<u>\$ 79,939</u>	<u>\$ 1,215,558</u>

**CITY OF HEATH, OHIO**

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax
<b>Revenues:</b>					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	419,776	34,848	95,645	0	149,523
Charges for Services	0	0	0	488,052	0
Investment Earnings	0	1,140	0	0	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	4,827	0	0	4,930	0
<b>Total Revenue</b>	<b>424,603</b>	<b>35,988</b>	<b>95,645</b>	<b>492,982</b>	<b>149,523</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	0	0	0	0	0
Leisure Time Activities	0	0	0	399,283	0
Transportation	854,020	34,993	95,645	0	193,512
Debt Service:					
Principal Retirement	17,047	0	0	105,000	0
Interest and Fiscal Charges	252	0	0	27,175	0
<b>Total Expenditures</b>	<b>871,319</b>	<b>34,993</b>	<b>95,645</b>	<b>531,458</b>	<b>193,512</b>
Excess (Deficiency) of Revenues Over Expenditures	(446,716)	995	0	(38,476)	(43,989)
<b>Other Financing Sources (Uses):</b>					
Capital Lease Issued	61,655	0	0	0	0
Transfers In	450,000	0	0	32,500	0
<b>Total Other Financing Sources (Uses)</b>	<b>511,655</b>	<b>0</b>	<b>0</b>	<b>32,500</b>	<b>0</b>
Net Change in Fund Balance	64,939	995	0	(5,976)	(43,989)
<b>Fund Balances at Beginning of Year</b>	<b>199,433</b>	<b>118,651</b>	<b>0</b>	<b>16,333</b>	<b>215,230</b>
Increase (Decrease) in Inventory Reserve	28,155	0	0	(816)	0
<b>Fund Balances End of Year</b>	<b>\$ 292,527</b>	<b>\$ 119,646</b>	<b>\$ 0</b>	<b>\$ 9,541</b>	<b>\$ 171,241</b>

**CITY OF HEATH, OHIO**

Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education	D.A.R.E.	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
\$ 73,793	\$ 73,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 147,586
16,647	10,692	0	0	0	0	0	727,131
0	0	4,979	0	0	0	1,995	495,026
0	0	0	0	0	0	8	1,148
0	0	21,545	0	1,277	0	0	22,822
0	0	9,387	0	0	1,238	0	20,382
<u>90,440</u>	<u>84,485</u>	<u>35,911</u>	<u>0</u>	<u>1,277</u>	<u>1,238</u>	<u>2,003</u>	<u>1,414,095</u>
190,990	244,440	47,859	0	0	3,694	0	486,983
0	0	0	0	0	0	9,152	408,435
0	0	0	0	0	0	0	1,178,170
0	0	0	0	0	0	0	122,047
0	0	0	0	0	0	0	27,427
<u>190,990</u>	<u>244,440</u>	<u>47,859</u>	<u>0</u>	<u>0</u>	<u>3,694</u>	<u>9,152</u>	<u>2,223,062</u>
(100,550)	(159,955)	(11,948)	0	1,277	(2,456)	(7,149)	(808,967)
0	0	0	0	0	0	0	61,655
<u>104,000</u>	<u>159,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>745,500</u>
<u>104,000</u>	<u>159,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>807,155</u>
3,450	(955)	(11,948)	0	1,277	(2,456)	(7,149)	(1,812)
(62,728)	(69,380)	68,960	1,876	21,447	10,112	87,088	607,022
0	0	0	0	0	0	0	27,339
<u>\$ (59,278)</u>	<u>\$ (70,335)</u>	<u>\$ 57,012</u>	<u>\$ 1,876</u>	<u>\$ 22,724</u>	<u>\$ 7,656</u>	<u>\$ 79,939</u>	<u>\$ 632,549</u>

**CITY OF HEATH, OHIO**

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**Combining Balance Sheet  
Nonmajor Capital Projects Funds  
December 31, 2011**

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	Irvingwick Drive Improvement	Paving	Total Nonmajor Capital Projects Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,517	\$ 8,158	\$ 9,675
<b>Total Assets</b>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 9,675</u>
<b>Liabilities:</b>			
<b>Total Liabilities</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Fund Balances:</b>			
Restricted	1,517	8,158	9,675
<b>Total Fund Balances</b>	<u>1,517</u>	<u>8,158</u>	<u>9,675</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 9,675</u>

**CITY OF HEATH, OHIO**

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***Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2011***

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	<u>County Road</u>	<u>Irvingwick Drive Improvement</u>	<u>Paving</u>	<u>Total Nonmajor Capital Project Funds</u>
<b>Revenues:</b>				
<b>Total Revenue</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>				
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(475,573)</u>	<u>0</u>	<u>0</u>	<u>(475,573)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(475,573)</u>	<u>0</u>	<u>0</u>	<u>(475,573)</u>
Net Change in Fund Balance	(475,573)	0	0	(475,573)
<b>Fund Balances at Beginning of Year</b>	<u>475,573</u>	<u>1,517</u>	<u>8,158</u>	<u>485,248</u>
<b>Fund Balances End of Year</b>	<u>\$ 0</u>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 9,675</u>



**CITY OF HEATH, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,069,765	\$ 5,281,680	\$ 5,373,352	\$ 91,672
Intergovernmental Revenues	614,879	564,017	501,374	(62,643)
Charges for Services	384,175	384,175	400,975	16,800
Licenses and Permits	24,750	24,750	24,697	(53)
Investment Earnings	157,500	157,500	90,412	(67,088)
Fines and Forfeitures	18,750	18,750	19,533	783
All Other Revenues	24,600	24,600	217,901	193,301
Total Revenues	6,294,419	6,455,472	6,628,244	172,772
<b>Expenditures:</b>				
Security of Persons and Property:				
Police:				
Personal Services	1,490,996	1,598,596	1,590,423	8,173
Materials and Supplies	61,625	81,255	79,833	1,422
Contractual Services	140,285	140,285	99,143	41,142
Capital Outlay	1,000	1,000	495	505
Total Police	1,693,906	1,821,136	1,769,894	51,242
Communications:				
Personal Services	512,293	560,693	549,322	11,371
Contractual Services	37,850	37,850	36,742	1,108
Total Communications	550,143	598,543	586,064	12,479
Fire:				
Personal Services	1,058,758	1,126,758	1,085,809	40,949
Materials and Supplies	83,967	95,717	89,508	6,209
Contractual Services	140,373	142,121	125,030	17,091
Capital Outlay	1,000	4,008	3,053	955
Total Fire	1,284,098	1,368,604	1,303,400	65,204
Street Lighting:				
Contractual Services	86,000	94,610	94,608	2
Total Street Lighting	86,000	94,610	94,608	2
Total Security of Persons and Property	3,614,147	3,882,893	3,753,966	128,927

(Continued)

**CITY OF HEATH, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	55,500	56,000	56,000	0
Total Public Health and Welfare Services	55,500	56,000	56,000	0
Leisure Time Activities:				
Parks:				
Personal Services	424,821	467,221	443,815	23,406
Materials and Supplies	50,313	50,313	34,426	15,887
Contractual Services	360,272	360,272	304,507	55,765
Other Expenditures	500	500	375	125
Capital Outlay	38,528	39,509	31,530	7,979
Total Leisure Time Activities	874,434	917,815	814,653	103,162
Community Environment:				
Planning and Zoning:				
Personal Services	157,896	164,296	161,041	3,255
Materials and Supplies	3,955	3,955	3,008	947
Contractual Services	143,092	159,592	151,252	8,340
Total Community Environment	304,943	327,843	315,301	12,542
General Government:				
Mayor:				
Personal Services	92,342	92,892	92,840	52
Materials and Supplies	1,200	1,200	704	496
Contractual Services	4,160	4,160	1,041	3,119
Capital Outlay	1,150	1,150	400	750
Total Mayor	98,852	99,402	94,985	4,417
City Council:				
Personal Services	37,800	37,800	37,800	0
Materials and Supplies	200	200	144	56
Contractual Services	1,200	1,200	0	1,200
Total City Council	39,200	39,200	37,944	1,256

(Continued)



**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2011***

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	122,746	122,746	122,745	1
Contractual Services	56,650	56,650	52,526	4,124
Total Law Director	179,396	179,396	175,271	4,125
Clerk of Council:				
Personal Services	43,502	43,502	43,144	358
Materials and Supplies	300	300	76	224
Total Clerk of Council	43,802	43,802	43,220	582
Auditor:				
Personal Services	42,500	42,500	42,500	0
Materials and Supplies	500	500	191	309
Contractual Services	1,870	1,870	1,865	5
Total Auditor	44,870	44,870	44,556	314
General Administrative:				
Personal Services	301,333	326,733	313,781	12,952
Materials and Supplies	5,424	5,424	3,812	1,612
Contractual Services	249,793	249,793	225,344	24,449
Other Expenditures	2,000	3,500	3,084	416
Total General Administrative	558,550	585,450	546,021	39,429
Court Fees:				
Contractual Services	27,168	27,168	12,548	14,620
Total Court Fees	27,168	27,168	12,548	14,620
Civil Service:				
Contractual Services	15,500	15,500	8,075	7,425
Total Civil Service	15,500	15,500	8,075	7,425

(Continued)

**CITY OF HEATH, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – General Fund  
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Safety/Service:</b>				
Personal Services	32,263	32,263	31,049	1,214
Materials and Supplies	8,900	8,900	5,839	3,061
Contractual Services	63,760	77,685	74,113	3,572
Total Safety/Service	104,923	118,848	111,001	7,847
<b>Income Tax:</b>				
Personal Services	242,047	254,847	252,304	2,543
Materials and Supplies	5,572	5,572	4,199	1,373
Contractual Services	30,589	31,989	27,543	4,446
Capital Outlay	0	2,000	1,595	405
Total Income Tax	278,208	294,408	285,641	8,767
Total General Government	1,390,469	1,448,044	1,359,262	88,782
Total Expenditures	6,239,493	6,632,595	6,299,182	333,413
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,926	(177,123)	329,062	506,185
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(701,000)	(747,450)	(747,450)	0
Total Other Financing Sources (Uses)	(701,000)	(747,450)	(747,450)	0
Net Change in Fund Balance	(646,074)	(924,573)	(418,388)	506,185
Fund Balance at Beginning of Year	3,155,109	3,155,109	3,155,109	0
Prior Year Encumbrances	78,963	78,963	78,963	0
Fund Balance at End of Year	\$ 2,587,998	\$ 2,309,499	\$ 2,815,684	\$ 506,185

**CITY OF HEATH, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – Special Revenue Fund – Fire Levy Fund  
For the Year Ended December 31, 2011**

<b>FIRE LEVY FUND</b>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 489,403	\$ 493,606	\$ 496,945	\$ 3,339
Intergovernmental Revenues	132,770	79,956	80,560	604
Investment Earnings	325	175	199	24
Total Revenues	<u>622,498</u>	<u>573,737</u>	<u>577,704</u>	<u>3,967</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Fire:				
Personal Services	558,231	578,231	560,527	17,704
Materials and Supplies	7,500	7,500	4,489	3,011
Contractual Services	25,250	25,250	13,023	12,227
Capital Outlay	60,426	60,426	43,433	16,993
Total Expenditures	<u>651,407</u>	<u>671,407</u>	<u>621,472</u>	<u>49,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,909)	(97,670)	(43,768)	53,902
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	4,000	5,003	1,003
Total Other Financing Sources (Uses)	<u>0</u>	<u>4,000</u>	<u>5,003</u>	<u>1,003</u>
Net Change in Fund Balance	(28,909)	(93,670)	(38,765)	54,905
Fund Balance at Beginning of Year	352,614	352,614	352,614	0
Prior Year Encumbrances	2,893	2,893	2,893	0
Fund Balance at End of Year	<u>\$ 326,598</u>	<u>\$ 261,837</u>	<u>\$ 316,742</u>	<u>\$ 54,905</u>

**CITY OF HEATH, OHIO**

**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – Capital Project Fund – Capital Improvement Fund  
For the Year Ended December 31, 2011**

**CAPITAL IMPROVEMENT FUND**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 161,880	\$ 163,089	\$ 1,209
Intergovernmental Revenues	94,441	94,441	0
All Other Revenues	13,152	13,152	0
Total Revenues	<u>269,473</u>	<u>270,682</u>	<u>1,209</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Capital Outlay	95,450	95,376	74
Total Security of Persons and Property	<u>95,450</u>	<u>95,376</u>	<u>74</u>
Leisure Time Activities:			
Parks:			
Capital Outlay	31,980	31,897	83
Total Parks	<u>31,980</u>	<u>31,897</u>	<u>83</u>
Swimming Pool:			
Contractual Services	38,715	38,715	0
Capital Outlay	5,000	3,341	1,659
Total Swimming Pool	<u>43,715</u>	<u>42,056</u>	<u>1,659</u>
Total Leisure Time Activities	<u>75,695</u>	<u>73,953</u>	<u>1,742</u>
Basic Utility Services:			
Water:			
Capital Outlay	252,530	252,530	0
Total Basic Utility Services	<u>252,530</u>	<u>252,530</u>	<u>0</u>
Transportation:			
Streets Department:			
Contractual Services	53,383	53,383	0
Capital Outlay	474,722	176,558	298,164
Total Transportation	<u>528,105</u>	<u>229,941</u>	<u>298,164</u>
General Government:			
Safety/Service:			
Contractual Services	23,966	23,966	0
Total General Government	<u>23,966</u>	<u>23,966</u>	<u>0</u>
Total Expenditures	<u>975,746</u>	<u>675,766</u>	<u>299,980</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Major Funds – Capital Project Fund – Capital Improvement Fund  
For the Year Ended December 31, 2011***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(706,273)	(405,084)	301,189
<b>Other Financing Sources (Uses):</b>			
Transfers In	<u>477,523</u>	<u>477,523</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>477,523</u>	<u>477,523</u>	<u>0</u>
Net Change in Fund Balance	(228,750)	72,439	301,189
Fund Balance at Beginning of Year	1,620,643	1,620,643	0
Prior Year Encumbrances	<u>104,247</u>	<u>104,247</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,496,140</u>	<u>\$ 1,797,329</u>	<u>\$ 301,189</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 423,350	\$ 423,145	\$ (205)
All Other Revenues	3,650	4,827	1,177
Total Revenues	<u>427,000</u>	<u>427,972</u>	<u>972</u>
<b>Expenditures:</b>			
Transportation:			
Street Department:			
Personal Services	590,029	542,559	47,470
Materials and Supplies	202,996	177,384	25,612
Contractual Services	123,848	93,550	30,298
Capital Outlay	23,797	3,583	20,214
Total Expenditures	<u>940,670</u>	<u>817,076</u>	<u>123,594</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(513,670)	(389,104)	124,566
<b>Other Financing Sources (Uses):</b>			
Transfers In	450,000	450,000	0
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>450,000</u>	<u>0</u>
Net Change in Fund Balance	(63,670)	60,896	124,566
Fund Balance at Beginning of Year	104,815	104,815	0
Prior Year Encumbrances	15,948	15,948	0
Fund Balance at End of Year	<u>\$ 57,093</u>	<u>\$ 181,659</u>	<u>\$ 124,566</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 34,345	\$ 34,310	\$ (35)
Investment Earnings	655	1,140	485
Total Revenues	<u>35,000</u>	<u>35,450</u>	<u>450</u>
<b>Expenditures:</b>			
Transportation:			
Street Department:			
Materials and Supplies	41,500	24,883	16,617
Contractual Services	<u>12,000</u>	<u>10,000</u>	<u>2,000</u>
Total Expenditures	<u>53,500</u>	<u>34,883</u>	<u>18,617</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,500)	567	19,067
Fund Balance at Beginning of Year	<u>112,274</u>	<u>112,274</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 93,774</u>	<u>\$ 112,841</u>	<u>\$ 19,067</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

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**COUNTY \$5 PERMISSIVE LICENSE TAX FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	<u>\$ 95,645</u>	<u>\$ 95,645</u>	<u>\$ 0</u>
Total Revenues	<u>95,645</u>	<u>95,645</u>	<u>0</u>
<b>Expenditures:</b>			
Transportation:			
Street Department:			
Capital Outlay	<u>95,645</u>	<u>95,645</u>	<u>0</u>
Total Expenditures	<u>95,645</u>	<u>95,645</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



**CITY OF HEATH, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>SWIMMING POOL FUND</b>			
<b>Revenues:</b>			
Charges for Services	\$ 488,055	\$ 488,052	\$ (3)
All Other Revenues	4,930	4,930	0
Total Revenues	<u>492,985</u>	<u>492,982</u>	<u>(3)</u>
<b>Expenditures:</b>			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	256,615	256,613	2
Materials and Supplies	55,149	55,149	0
Contractual Services	86,783	85,600	1,183
Capital Outlay	8,794	8,794	0
Total Leisure Time Activities	<u>407,341</u>	<u>406,156</u>	<u>1,185</u>
Debt Service:			
Principal Retirement	105,000	105,000	0
Interest and Fiscal Charges	27,182	27,175	7
Total Expenditures	<u>539,523</u>	<u>538,331</u>	<u>1,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,538)	(45,349)	1,189
<b>Other Financing Sources (Uses):</b>			
Transfers In	32,500	32,500	0
Total Other Financing Sources (Uses)	<u>32,500</u>	<u>32,500</u>	<u>0</u>
Net Change in Fund Balance	(14,038)	(12,849)	1,189
Fund Balance at Beginning of Year	15,449	15,449	0
Fund Balance at End of Year	<u>\$ 1,411</u>	<u>\$ 2,600</u>	<u>\$ 1,189</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	<u>\$ 149,730</u>	<u>\$ 149,731</u>	<u>\$ 1</u>
Total Revenues	<u>149,730</u>	<u>149,731</u>	<u>1</u>
<b>Expenditures:</b>			
Transportation:			
Street Department:			
Capital Outlay	<u>199,755</u>	<u>193,512</u>	<u>6,243</u>
Total Expenditures	<u>199,755</u>	<u>193,512</u>	<u>6,243</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,025)	(43,781)	6,244
Fund Balance at Beginning of Year	<u>192,067</u>	<u>192,067</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 142,042</u>	<u>\$ 148,286</u>	<u>\$ 6,244</u>

**CITY OF HEATH, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011**

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	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
<b>Revenues:</b>			
Taxes	\$ 72,669	\$ 73,793	\$ 1,124
Intergovernmental Revenues	16,028	16,647	619
Total Revenues	<u>88,697</u>	<u>90,440</u>	<u>1,743</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Fire:			
Personal Services	191,811	191,810	1
Contractual Services	2,050	1,294	756
Total Expenditures	<u>193,861</u>	<u>193,104</u>	<u>757</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,164)	(102,664)	2,500
<b>Other Financing Sources (Uses):</b>			
Transfers In	104,000	104,000	0
Total Other Financing Sources (Uses)	<u>104,000</u>	<u>104,000</u>	<u>0</u>
Net Change in Fund Balance	(1,164)	1,336	2,500
Fund Balance at Beginning of Year	2,088	2,088	0
Fund Balance at End of Year	<u>\$ 924</u>	<u>\$ 3,424</u>	<u>\$ 2,500</u>

**CITY OF HEATH, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>POLICE PENSION FUND</b>			
<b>Revenues:</b>			
Taxes	\$ 72,669	\$ 73,793	\$ 1,124
Intergovernmental Revenues	10,253	10,692	439
Total Revenues	<u>82,922</u>	<u>84,485</u>	<u>1,563</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Personal Services	240,628	240,609	19
Contractual Services	2,050	1,294	756
Total Expenditures	<u>242,678</u>	<u>241,903</u>	<u>775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(159,756)	(157,418)	2,338
<b>Other Financing Sources (Uses):</b>			
Transfers In	159,000	159,000	0
Total Other Financing Sources (Uses)	<u>159,000</u>	<u>159,000</u>	<u>0</u>
Net Change in Fund Balance	(756)	1,582	2,338
Fund Balance at Beginning of Year	3,218	3,218	0
Fund Balance at End of Year	<u>\$ 2,462</u>	<u>\$ 4,800</u>	<u>\$ 2,338</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>LAW ENFORCEMENT TRUST FUND</b>			
<b>Revenues:</b>			
Charges for Services	\$ 4,969	\$ 4,979	\$ 10
Fines and Forfeitures	21,539	21,545	6
All Other Revenues	<u>9,317</u>	<u>9,387</u>	<u>70</u>
Total Revenues	<u>35,825</u>	<u>35,911</u>	<u>86</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Materials and Supplies	4,175	3,855	320
Contractual Services	25,070	20,095	4,975
Other Expenditures	500	0	500
Capital Outlay	<u>27,966</u>	<u>24,728</u>	<u>3,238</u>
Total Expenditures	<u>57,711</u>	<u>48,678</u>	<u>9,033</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,886)	(12,767)	9,119
Fund Balance at Beginning of Year	52,478	52,478	0
Prior Year Encumbrances	<u>16,736</u>	<u>16,736</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 47,328</u>	<u>\$ 56,447</u>	<u>\$ 9,119</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

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	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>1,876</u>	<u>1,876</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,876</u>	<u>\$ 1,876</u>	<u>\$ 0</u>

**CITY OF HEATH, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011**

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**ENFORCEMENT AND EDUCATION FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and Forfeitures	<u>\$ 1,300</u>	<u>\$ 1,305</u>	<u>\$ 5</u>
Total Revenues	<u>1,300</u>	<u>1,305</u>	<u>5</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Materials and Supplies	<u>500</u>	<u>0</u>	<u>500</u>
Total Expenditures	<u>500</u>	<u>0</u>	<u>500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	800	1,305	505
Fund Balance at Beginning of Year	<u>21,334</u>	<u>21,334</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 22,134</u>	<u>\$ 22,639</u>	<u>\$ 505</u>

**CITY OF HEATH, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011**

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	D.A.R.E. FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
<b>Revenues:</b>			
All Other Revenues	\$ 1,200	\$ 1,238	\$ 38
Total Revenues	<u>1,200</u>	<u>1,238</u>	<u>38</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Materials and Supplies	3,037	2,094	943
Contractual Services	<u>1,600</u>	<u>1,600</u>	<u>0</u>
Total Expenditures	<u>4,637</u>	<u>3,694</u>	<u>943</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,437)	(2,456)	981
Fund Balance at Beginning of Year	10,075	10,075	0
Prior Year Encumbrances	<u>37</u>	<u>37</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6,675</u>	<u>\$ 7,656</u>	<u>\$ 981</u>



**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2011***

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**CONN MEMORIAL TRUST FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for Services	\$ 1,995	\$ 1,995	\$ 0
Investment Earnings	285	293	8
Total Revenues	<u>2,280</u>	<u>2,288</u>	<u>8</u>
<b>Expenditures:</b>			
Leisure Time Activities:			
Parks:			
Capital Outlay	<u>11,000</u>	<u>9,152</u>	<u>1,848</u>
Total Expenditures	<u>11,000</u>	<u>9,152</u>	<u>1,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,720)	(6,864)	1,856
Fund Balance at Beginning of Year	<u>86,803</u>	<u>86,803</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 78,083</u>	<u>\$ 79,939</u>	<u>\$ 1,856</u>

**CITY OF HEATH, OHIO**

***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Debt Service Fund  
For the Year Ended December 31, 2011***

<b>GENERAL OBLIGATION DEBT SERVICE FUND</b>			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 283,290	\$ 285,405	\$ 2,115
Total Revenues	<u>283,290</u>	<u>285,405</u>	<u>2,115</u>
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	200,000	200,000	0
Interest and Fiscal Charges	<u>136,657</u>	<u>136,657</u>	<u>0</u>
Total Expenditures	<u>336,657</u>	<u>336,657</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,367)	(51,252)	2,115
<b>Other Financing Sources (Uses):</b>			
Refunding Bonds Issued	1,325,000	1,325,000	0
Premium on Refunding Bonds	7,861	7,861	0
Payment to Refunded Bond Escrow Agent	<u>(1,283,255)</u>	<u>(1,283,255)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>49,606</u>	<u>49,606</u>	<u>0</u>
Net Change in Fund Balance	(3,761)	(1,646)	2,115
Fund Balance at Beginning of Year	<u>104,989</u>	<u>104,989</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 101,228</u>	<u>\$ 103,343</u>	<u>\$ 2,115</u>

**CITY OF HEATH, OHIO**

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**Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2011**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	\$ 0	\$ 0	\$ 0
<b>Expenditures:</b>			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
<b>Other Financing Sources (Uses):</b>			
Transfers Out	(475,573)	(475,573)	0
Total Other Financing Sources (Uses)	(475,573)	(475,573)	0
Net Change in Fund Balance	(475,573)	(475,573)	0
Fund Balance at Beginning of Year	475,573	475,573	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2011***

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**IRVING WICK DRIVE IMPROVEMENT FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>1,517</u>	<u>1,517</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,517</u>	<u>\$ 1,517</u>	<u>\$ 0</u>

**CITY OF HEATH, OHIO**

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***Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2011***

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	PAVING FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u></u>
<b>Revenues:</b>			
Intergovernmental Revenues	<u>\$ 1,607</u>	<u>\$ 1,607</u>	<u>\$ 0</u>
Total Revenues	<u>1,607</u>	<u>1,607</u>	<u>0</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,607	1,607	0
Fund Balance at Beginning of Year	<u>6,551</u>	<u>6,551</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,158</u>	<u>\$ 8,158</u>	<u>\$ 0</u>



*STATISTICAL SECTION*

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## ***STATISTICAL TABLES***

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This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

### ***Contents***

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<b>Financial Trends</b>	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
<b>Revenue Capacity</b>	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue source, the income tax.	
<b>Debt Capacity</b>	S 18 – S 25
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
<b>Economic and Demographic Information</b>	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
<b>Operating Information</b>	S 30 – S 37
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	
<b>Sources Note:</b>	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	

## *City of Heath*

*Net Assets by Component  
Last Nine Years  
(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Governmental Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$16,234,915	\$16,596,874	\$16,428,030	\$18,092,381
Restricted	3,866,353	3,931,719	3,455,361	3,371,442
Unrestricted	394,551	2,349,086	2,413,975	3,017,476
Total Governmental Activities Net Assets	<u>\$20,495,819</u>	<u>\$22,877,679</u>	<u>\$22,297,366</u>	<u>\$24,481,299</u>
<b>Business-type Activities:</b>				
Invested in Capital Assets, Net of Related Debt	\$10,048,081	\$10,509,634	\$10,598,772	\$10,723,136
Unrestricted	3,472,131	3,121,711	3,602,895	4,146,637
Total Business-type Activities Net Assets	<u>\$13,520,212</u>	<u>\$13,631,345</u>	<u>\$14,201,667</u>	<u>\$14,869,773</u>
<b>Primary Government:</b>				
Invested in Capital Assets, Net of Related Debt	\$26,282,996	\$27,106,508	\$27,026,802	\$28,815,517
Restricted	3,866,353	3,931,719	3,455,361	3,371,442
Unrestricted	3,866,682	5,470,797	6,016,870	7,164,113
Total Primary Government Net Assets	<u>\$34,016,031</u>	<u>\$36,509,024</u>	<u>\$36,499,033</u>	<u>\$39,351,072</u>

Source: City Auditor's Office

\* 2008 Business-type Activities were restated

\* 2010 Governmental Activities were restated

*City of Heath*

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2007	2008	2009	2010	2011
			*	
\$23,589,938	\$22,695,332	\$24,757,330	\$26,920,239	\$29,909,342
3,693,753	4,153,096	4,440,662	4,052,345	3,049,296
3,427,382	2,601,396	3,344,138	2,584,668	3,096,541
<u>\$30,711,073</u>	<u>\$29,449,824</u>	<u>\$32,542,130</u>	<u>\$33,557,252</u>	<u>\$36,055,179</u>
	*			
\$11,369,769	\$11,437,704	\$11,511,143	\$11,458,893	\$12,254,042
3,585,259	3,966,942	3,955,176	5,016,822	4,716,959
<u>\$14,955,028</u>	<u>\$15,404,646</u>	<u>\$15,466,319</u>	<u>\$16,475,715</u>	<u>\$16,971,001</u>
\$34,959,707	\$34,133,036	\$36,268,473	\$38,379,132	\$42,163,384
3,693,753	4,153,096	4,440,662	4,052,345	3,049,296
7,012,641	6,568,338	7,299,314	7,601,490	7,813,500
<u>\$45,666,101</u>	<u>\$44,854,470</u>	<u>\$48,008,449</u>	<u>\$50,032,967</u>	<u>\$53,026,180</u>

## City of Heath

### Changes in Net Assets Last Nine Years (accrual basis of accounting)

	2003	2004	2005	2006
<b>Expenses</b>				
Governmental Activities:				
Security of Persons and Property	\$3,423,445	\$4,216,123	\$4,329,101	\$4,518,609
Public Health and Welfare Services	52,500	52,500	52,500	54,000
Leisure Time Activities	1,627,677	1,302,972	1,294,346	1,294,137
Community Environment	305,945	302,336	293,980	289,516
Basic Utility Services	568,416	204,435	0	0
Transportation	3,129,391	553,998	1,753,609	1,418,985
General Government	1,265,259	1,327,217	1,278,537	1,313,015
Interest and Fiscal Charges	239,360	252,654	235,853	223,289
<i>Total Governmental Activities Expenses</i>	10,611,993	8,212,235	9,237,926	9,111,551
Business-type Activities:				
Water	1,552,029	1,460,249	1,449,520	1,387,196
Sewer	2,018,104	2,077,666	1,853,411	1,837,990
<i>Total Business-type Activities Expenses</i>	3,570,133	3,537,915	3,302,931	3,225,186
<i>Total Primary Government Expenses</i>	\$14,182,126	\$11,750,150	\$12,540,857	\$12,336,737
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$50,839	\$60,280	\$101,573	\$97,499
Leisure Time Activities	649,573	595,849	713,325	714,341
Community Environment	21,265	32,401	33,563	25,829
Basic Utility Services	12,182	12,027	0	0
Transportation	25,725	11,377	120,282	16,573
General Government	0	2,351	6,899	0
Operating Grants and Contributions	424,147	537,300	605,977	522,557
Capital Grants and Contributions	341,305	2,243,026	153,096	2,023,759
<i>Total Governmental Activities Program Revenues</i>	1,525,036	3,494,611	1,734,715	3,400,558

*City of Heath*

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2007	2008	2009	2010	2011
\$4,412,475	\$5,033,962	\$4,799,533	\$4,950,795	\$4,910,998
55,000	55,500	55,500	55,500	56,000
1,165,587	1,553,376	1,389,421	1,324,421	1,458,652
116,430	248,044	296,573	249,028	326,445
48,759	12,585	0	399,949	252,530
1,611,106	1,716,140	1,698,702	1,692,428	1,387,741
1,480,358	1,862,217	1,863,206	1,482,172	1,423,316
211,364	201,466	213,056	158,538	238,230
<u>9,101,079</u>	<u>10,683,290</u>	<u>10,315,991</u>	<u>10,312,831</u>	<u>10,053,912</u>
1,572,649	1,499,924	1,535,122	1,541,351	1,588,324
1,994,356	1,992,845	2,145,932	1,928,841	2,094,078
<u>3,567,005</u>	<u>3,492,769</u>	<u>3,681,054</u>	<u>3,470,192</u>	<u>3,682,402</u>
<u>\$12,668,084</u>	<u>\$14,176,059</u>	<u>\$13,997,045</u>	<u>\$13,783,023</u>	<u>\$13,736,314</u>
\$414,707	\$427,535	\$2,017,435	\$471,415	\$431,382
681,222	637,733	527,712	558,966	520,995
52,913	22,902	24,464	35,658	20,355
4,592	107	0	5,256	5,136
18,538	6,377	80,750	4,383	8,981
2,119	8,950	12,075	15,220	11,890
641,109	593,995	677,664	641,344	667,962
5,408,548	24,050	2,825,769	1,596,123	3,306,967
<u>7,223,748</u>	<u>1,721,649</u>	<u>6,165,869</u>	<u>3,328,365</u>	<u>4,973,668</u>

(continued)

## City of Heath

### Changes in Net Assets Last Nine Years (accrual basis of accounting)

	2003	2004	2005	2006
<b>Business-type Activities:</b>				
<b>Charges for Services</b>				
Water	1,222,532	1,095,740	1,297,785	1,369,475
Sewer	2,093,073	2,371,211	2,455,205	2,346,580
Capital Grants and Contributions	845,185	546,732	132,480	79,381
<i>Total Business-type Activities Program Revenues</i>	4,160,790	4,013,683	3,885,470	3,795,436
<i>Total Primary Government Program Revenues</i>	5,685,826	7,508,294	5,620,185	7,195,994
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(9,086,957)	(4,717,624)	(7,503,211)	(5,710,993)
Business-type Activities	590,657	475,768	582,539	570,250
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$8,496,300)	(\$4,241,856)	(\$6,920,672)	(\$5,140,743)
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental Activities:</b>				
Property Taxes	\$1,172,261	\$1,190,037	\$1,233,678	\$1,260,147
Municipal Income Taxes	4,839,079	4,765,042	4,833,456	5,487,407
Other Local Taxes	11,121	13,061	13,306	13,295
Intergovernmental Revenue, Unrestricted	781,533	623,050	609,450	736,664
Investment Earnings	123,662	106,428	191,143	333,854
Miscellaneous	58,858	40,204	78,959	63,559
Transfers	0	361,662	33,166	0
<i>Total Governmental Activities</i>	6,986,514	7,099,484	6,993,158	7,894,926
<b>Business-type Activities:</b>				
Investment Earnings	10,792	(2,973)	20,949	97,856
Transfers	0	(361,662)	(33,166)	0
<i>Total Business-type Activities</i>	10,792	(364,635)	(12,217)	97,856
<i>Total Primary Government</i>	\$6,997,306	\$6,734,849	\$6,980,941	\$7,992,782
<b>Change in Net Assets</b>				
Governmental Activities	(\$2,100,443)	\$2,381,860	(\$510,053)	\$2,183,933
Business-type Activities	601,449	111,133	570,322	668,106
<i>Total Primary Government Change in Net Assets</i>	(\$1,498,994)	\$2,492,993	\$60,269	\$2,852,039

Source: City Auditor's Office

*City of Heath*

2007	2008	2009	2010	2011
1,409,782	1,505,580	1,495,259	1,619,913	1,794,547
2,340,830	2,319,071	2,212,708	2,281,012	2,111,192
74,101	124,099	0	563,705	252,530
<u>3,824,713</u>	<u>3,948,750</u>	<u>3,707,967</u>	<u>4,464,630</u>	<u>4,158,269</u>
<u>11,048,461</u>	<u>5,670,399</u>	<u>9,873,836</u>	<u>7,792,995</u>	<u>9,131,937</u>
(1,877,331)	(8,961,641)	(4,150,122)	(6,984,466)	(5,080,244)
257,708	455,981	26,913	994,438	475,867
<u>(\$1,619,623)</u>	<u>(\$8,505,660)</u>	<u>(\$4,123,209)</u>	<u>(\$5,990,028)</u>	<u>(\$4,604,377)</u>
\$1,328,913	\$1,201,564	\$1,187,092	\$1,183,579	\$1,174,167
5,117,840	5,144,879	4,970,988	4,888,977	5,278,585
12,834	12,203	10,671	10,098	10,388
845,213	945,401	835,972	947,666	814,944
545,309	339,715	173,836	160,386	82,186
41,546	57,959	87,516	73,618	217,901
215,450	(1,329)	(23,647)	0	0
<u>8,107,105</u>	<u>7,700,392</u>	<u>7,242,428</u>	<u>7,264,324</u>	<u>7,578,171</u>
42,997	94,826	11,113	14,958	19,419
(215,450)	1,329	23,647	0	0
<u>(172,453)</u>	<u>96,155</u>	<u>34,760</u>	<u>14,958</u>	<u>19,419</u>
<u>\$7,934,652</u>	<u>\$7,796,547</u>	<u>\$7,277,188</u>	<u>\$7,279,282</u>	<u>\$7,597,590</u>
\$6,229,774	(\$1,261,249)	\$3,092,306	\$279,858	\$2,497,927
85,255	552,136	61,673	1,009,396	495,286
<u>\$6,315,029</u>	<u>(\$709,113)</u>	<u>\$3,153,979</u>	<u>\$1,289,254</u>	<u>\$2,993,213</u>

## City of Heath

*Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)*

	2002	2003	2004	2005
<b>General Fund</b>				
Nonspendable	\$0	\$0	\$0	\$0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Reserved	127,313	139,559	120,024	150,353
Unreserved	2,096,185	2,459,362	2,563,881	2,538,481
<b>Total General Fund</b>	<b>2,223,498</b>	<b>2,598,921</b>	<b>2,683,905</b>	<b>2,688,834</b>
<b>All Other Governmental Funds</b>				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Committed	0	0	0	0
Unassigned	0	0	0	0
Reserved	1,721,367	1,870,715	1,295,931	877,324
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	877,025	527,463	486,555	404,562
Capital Projects Funds	1,957,897	1,197,020	1,934,190	1,959,028
Permanent Fund	0	87,747	91,049	74,021
<b>Total All Other Governmental Funds</b>	<b>4,556,289</b>	<b>3,682,945</b>	<b>3,807,725</b>	<b>3,314,935</b>
<b>Total Governmental Funds</b>	<b>\$6,779,787</b>	<b>\$6,281,866</b>	<b>\$6,491,630</b>	<b>\$6,003,769</b>

Source: City Auditor's Office

\* - The Conn Memorial Trust was reclassified from a Permanent Fund to a Special Revenue Fund in 2010

Note: The City implemented GASB 54 in 2011 which established new fund balance classifications for governmental funds.



*City of Heath*

2006	2007	2008	2009	2010	2011
\$0	\$0	\$0	\$0	\$0	\$108,830
0	0	0	0	0	42,354
0	0	0	0	0	3,363,560
190,870	304,325	229,436	1,366,672	1,223,828	0
3,043,064	3,405,304	2,701,779	2,408,783	2,533,280	0
<u>3,233,934</u>	<u>3,709,629</u>	<u>2,931,215</u>	<u>3,775,455</u>	<u>3,757,108</u>	<u>3,514,744</u>
0	0	0	0	0	87,846
0	0	0	0	0	959,738
0	0	0	0	0	1,981,100
0	0	0	0	0	(129,613)
683,026	884,924	519,403	412,014	323,587	0
698,812	644,659	829,632	807,272	826,636	0
1,789,751	1,931,812	2,652,964	3,070,331	2,123,013	0
80,374	86,791	91,485	83,268 *	0	0
<u>3,251,963</u>	<u>3,548,186</u>	<u>4,093,484</u>	<u>4,372,885</u>	<u>3,273,236</u>	<u>2,899,071</u>
<u>\$6,485,897</u>	<u>\$7,257,815</u>	<u>\$7,024,699</u>	<u>\$8,148,340</u>	<u>\$7,030,344</u>	<u>\$6,413,815</u>

## *City of Heath*

*Changes in Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)*

	2002	2003	2004	2005
<b>Revenues:</b>				
Taxes	\$5,772,835	\$5,990,306	\$5,968,715	\$6,103,117
Intergovernmental Revenues	2,791,553	1,336,400	1,910,803	1,294,553
Charges for Services	679,393	654,828	599,002	706,904
Licenses and Permits	23,861	23,933	34,775	46,232
Investment Earnings	231,096	123,662	86,929	161,518
Fines and Forfeitures	50,156	36,068	38,588	34,812
All Other Revenue	179,070	69,742	82,124	266,653
<b>Total Revenue</b>	<u>9,727,964</u>	<u>8,234,939</u>	<u>8,720,936</u>	<u>8,613,789</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,651,512	4,069,038	3,873,095	4,473,935
Public Health and Welfare Services	52,500	52,500	52,500	52,500
Leisure Time Activities	3,704,349	1,475,797	1,185,345	1,119,728
Community Environment	299,688	255,327	256,397	261,315
Basic Utility Services	242,676	568,416	204,435	0
Transportation	3,286,170	2,667,651	1,324,269	1,267,352
General Government	1,251,016	1,212,168	1,253,721	1,260,752
Debt Service:				
Principal Retirement	290,739	377,928	450,236	436,960
Interest and Fiscal Charges	186,271	234,518	255,283	237,609
<b>Total Expenditures</b>	<u>13,964,921</u>	<u>10,913,343</u>	<u>8,855,281</u>	<u>9,110,151</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,236,957)	(2,678,404)	(134,345)	(496,362)

*City of Heath*

2006	2007	2008	2009	2010	2011
\$6,765,736	\$6,511,364	\$6,372,485	\$6,129,963	\$6,076,179	\$6,484,185
1,558,369	2,019,146	1,690,485	1,836,354	1,813,302	1,564,668
683,875	951,735	985,547	872,267	921,061	896,001
76,891	59,600	29,849	28,382	40,464	24,697
320,207	599,005	348,790	173,836	160,386	82,186
41,611	52,689	51,154	1,660,638	91,921	39,504
115,424	151,613	95,013	188,665	111,070	256,438
<u>9,562,113</u>	<u>10,345,152</u>	<u>9,573,323</u>	<u>10,890,105</u>	<u>9,214,383</u>	<u>9,347,679</u>
4,340,627	4,679,467	4,895,866	4,564,283	4,832,359	4,949,955
54,000	55,000	55,500	55,500	55,500	56,000
1,588,478	1,537,158	1,316,678	1,218,719	1,388,567	1,291,498
277,529	286,914	257,489	296,209	248,970	322,269
0	48,759	12,585	0	399,949	252,530
1,187,069	1,304,268	1,259,204	1,301,307	1,505,871	1,382,405
1,274,127	1,434,312	1,568,514	1,784,830	1,440,850	1,360,970
251,721	254,165	262,600	283,344	299,111	322,047
221,879	212,555	202,775	199,411	159,796	164,084
<u>9,195,430</u>	<u>9,812,598</u>	<u>9,831,211</u>	<u>9,703,603</u>	<u>10,330,973</u>	<u>10,101,758</u>
366,683	532,554	(257,888)	1,186,502	(1,116,590)	(754,079)

(Continued)

## *City of Heath*

*Changes in Fund Balances, Governmental Funds  
Last Ten Years  
(modified accrual basis of accounting)*

	2002	2003	2004	2005
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	33,871	0	0
Capital Leases Issued	16,210	0	0	0
General Obligation Bonds Issued	1,850,000	2,035,000	0	0
Refunding Bonds Issued	0	0	0	0
Premium on Refunding Bonds Issued	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Transfers In	1,099,875	1,784,791	1,539,018	1,310,436
Transfers Out	(1,995,649)	(1,784,791)	(1,177,356)	(1,277,270)
<b>Total Other Financing Sources (Uses)</b>	<u>970,436</u>	<u>2,068,871</u>	<u>361,662</u>	<u>33,166</u>
<b>Net Change in Fund Balance</b>	<u>(\$3,266,521)</u>	<u>(\$609,533)</u>	<u>\$227,317</u>	<u>(\$463,196)</u>
 <b>Debt Service as a Percentage of Noncapital Expenditures</b>	 3.54%	 6.30%	 12.18%	 8.02%

Source: City Auditor's Office

*City of Heath*

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2006	2007	2008	2009	2010	2011
0	0	0	0	0	0
89,348	0	0	0	0	61,655
0	0	0	0	0	0
0	0	0	1,195,000	0	1,325,000
0	0	0	11,337	0	7,861
0	0	0	(1,178,173)	0	(1,283,255)
625,678	920,187	1,321,249	511,534	684,767	1,223,023
(625,678)	(704,737)	(1,322,578)	(535,181)	(684,767)	(1,223,023)
89,348	215,450	(1,329)	4,517	0	111,261
\$456,031	\$748,004	(\$259,217)	\$1,191,019	(\$1,116,590)	(\$642,818)
7.29%	22.30%	4.91%	7.23%	5.76%	7.94%

## *City of Heath*

### *Income Tax Revenues by Source, Governmental Funds Last Ten Years*

<b>Tax year</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Estimated Personal Income (in thousands)	\$236,667	\$240,862	\$253,124	\$258,803
Total Tax Collected	\$4,793,602	\$4,950,955	\$4,806,164	\$5,004,128
Income Tax Receipts				
Withholding	3,982,270	3,912,690	3,940,162	4,072,849
Percentage	83.07%	79.03%	81.99%	81.39%
Corporate	501,273	661,068	506,273	569,139
Percentage	10.46%	13.35%	10.53%	11.37%
Individuals	310,059	377,197	359,729	362,140
Percentage	6.47%	7.62%	7.48%	7.24%

Source: City Income Tax Department

*City of Heath*

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2006	2007	2008	2009	2010	2011
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$284,358	\$297,115	\$303,766	\$305,863	\$358,520	\$358,520
\$5,430,307	\$5,372,699	\$5,292,914	\$5,082,838	\$5,016,826	\$5,448,282
4,154,215	4,236,786	4,362,702	4,158,728	4,251,397	4,366,508
76.50%	78.86%	82.42%	81.82%	84.74%	80.15%
913,764	760,337	580,904	593,661	433,893	715,508
16.83%	14.15%	10.98%	11.68%	8.65%	13.13%
362,328	375,576	349,308	330,449	331,536	366,266
6.67%	6.99%	6.60%	6.50%	6.61%	6.72%





# City of Heath

## Income Tax Statistics Current Year and Nine Years Ago

### Calendar Year 2011

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.20%	\$155,703,072	42.87%	\$2,335,546	42.87%
All Others	4,987	99.80%	207,515,733	57.13%	3,112,736	57.13%
Total	4,997	100.00%	\$363,218,805	100.00%	\$5,448,282	100.00%

### Calendar Year 2002

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.18%	\$131,954,733	41.29%	\$1,979,321	41.29%
All Others	5,506	99.82%	187,618,733	58.71%	2,814,281	58.71%
Total	5,516	100.00%	\$319,573,466	100.00%	\$4,793,602	100.00%

Source: City Income Tax Department

## *City of Heath*

### *Ratio of Outstanding Debt By Type Last Ten Years*

	2002	2003	2004	2005
<b>Governmental Activities</b> <sup>(1)</sup>				
General Obligation Bonds Payable	\$4,075,000	\$5,775,000	\$5,370,000	\$4,950,000
Installment Loan Payable	98,837	55,910	10,674	0
Capital Leases	23,893	18,868	13,250	6,964
<b>Business-type Activities</b> <sup>(1)</sup>				
General Obligation Bonds Payable	2,875,000	2,745,000	2,610,000	2,475,000
Ohio Water Development Authority Loans	4,572,900	4,370,769	5,636,654	5,866,987
Ohio Public Works Commission Loan	0	0	0	0
Installment Loan Payable	48,373	24,777	0	0
Total Primary Government	<u>\$11,694,003</u>	<u>\$12,990,324</u>	<u>\$13,640,578</u>	<u>\$13,298,951</u>
<b>Population</b> <sup>(2)</sup>				
City of Heath	8,527	8,527	8,527	8,527
Outstanding Debt Per Capita	\$1,371	\$1,523	\$1,600	\$1,560
<b>Income</b> <sup>(3)</sup>				
Personal (in thousands)	236,667	240,862	253,124	258,803
Percentage of Personal Income	4.94%	5.39%	5.39%	5.14%

**Sources:**

(1) City Auditor's Office

(2) US Bureau of Census, Population Division

(3) US Department of Commerce, Bureau of Economic Analysis

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

*City of Heath*

2006	2007	2008	2009	2010	2011
\$4,715,000	\$4,480,000	\$4,235,000	\$4,015,000	\$3,735,000	\$3,555,000
0	0	0	0	0	0
79,591	60,426	42,826	24,482	5,371	49,979
2,330,000	2,180,000	2,025,000	1,915,000	1,720,000	1,520,000
5,735,892	4,794,983	4,129,717	3,432,074	4,118,537	6,081,565
0	104,256	102,518	100,780	97,304	93,828
0	0	0	0	0	0
<u>\$12,860,483</u>	<u>\$11,619,665</u>	<u>\$10,535,061</u>	<u>\$9,487,336</u>	<u>\$9,676,212</u>	<u>\$11,300,372</u>
8,527	8,527	8,527	8,527	10,310	10,310
\$1,508	\$1,363	\$1,235	\$1,113	\$939	\$1,096
284,358	297,115	303,766	305,863	358,520	358,520
4.52%	3.91%	3.47%	3.10%	2.70%	3.15%

## *City of Heath*

### *Ratios of General Bonded Debt Outstanding Last Ten Years*

Year	2002	2003	2004	2005
<b>Population</b> <sup>(1)</sup>	8,527	8,527	8,527	8,527
<b>Assessed Value</b> <sup>(2)</sup>	\$255,735,300	\$254,495,240	\$261,138,600	\$302,719,520
<b>General Bonded Debt</b> <sup>(3)</sup>				
General Obligation Bonds	\$6,950,000	\$8,520,000	\$7,980,000	\$7,425,000
<b>Resources Available to Pay Principal</b> <sup>(4)</sup>	\$995,128	\$757,865	\$494,931	\$245,652
<b>Net General Bonded Debt</b>	\$5,954,872	\$7,762,135	\$7,485,069	\$7,179,348
<b>Ratio of Net Bonded Debt to Estimated Actual Value</b>	2.33%	3.05%	2.87%	2.37%
<b>Net Bonded Debt per Capita</b>	\$698.35	\$910.30	\$877.81	\$841.95

**Source:**

(1) U.S. Bureau of Census of Population

(2) Licking County Auditor

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

(4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

*City of Heath*

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<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
8,527	8,527	8,527	8,527	10,310	10,310
\$281,821,460	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150	\$268,239,290
\$7,045,000	\$6,660,000	\$6,260,000	\$5,930,000	\$5,455,000	\$5,075,000
\$227,198	\$207,537	\$187,176	\$165,163	\$134,952	\$134,241
\$6,817,802	\$6,452,463	\$6,072,824	\$5,764,837	\$5,320,048	\$4,940,759
2.42%	2.34%	2.29%	2.18%	2.01%	1.84%
\$799.55	\$756.71	\$712.19	\$676.07	\$516.01	\$479.22



## *City of Heath*

*Computation of Direct and Overlapping  
Debt Attributable to Governmental Activities  
December 31, 2011*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Heath</u>	<u>Amount Applicable to the City of Heath</u>
<b>Direct:</b>			
City of Heath	\$3,555,000	100.00%	\$3,555,000
<b>Overlapping:</b>			
Heath City School District	15,120,402	94.46%	14,282,732
Licking County	9,949,000	7.75%	<u>771,048</u>
		Subtotal	<u>15,053,780</u>
		Total	<u><u>\$18,608,780</u></u>

**Source:** Licking County

## *City of Heath*

### *Debt Limitations Last Ten Years*

<b>Collection Year</b>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$255,735,300	\$254,495,240	\$261,138,600	\$302,719,520
Legal Debt Limitation (%) <sup>(1)</sup>	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	26,852,207	26,722,000	27,419,553	31,785,550
City Debt Outstanding <sup>(2)</sup>	4,075,000	5,775,000	5,370,000	4,950,000
Less: Applicable Debt Service Fund Amounts	<u>(995,128)</u>	<u>(757,865)</u>	<u>(494,931)</u>	<u>(245,652)</u>
Net Indebtedness Subject to Limitation	<u>3,079,872</u>	<u>5,017,135</u>	<u>4,875,069</u>	<u>4,704,348</u>
Overall Legal Debt Margin	<u><u>\$23,772,335</u></u>	<u><u>\$21,704,865</u></u>	<u><u>\$22,544,484</u></u>	<u><u>\$27,081,202</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$255,735,300	\$254,495,240	\$261,138,600	\$302,719,520
Legal Debt Limitation (%) <sup>(1)</sup>	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	14,065,442	13,997,238	14,362,623	16,649,574
City Debt Outstanding <sup>(2)</sup>	4,075,000	5,775,000	5,370,000	4,950,000
Less: Applicable Debt Service Fund Amounts	<u>(995,128)</u>	<u>(757,865)</u>	<u>(494,931)</u>	<u>(245,652)</u>
Net Indebtedness Subject to Limitation	<u>3,079,872</u>	<u>5,017,135</u>	<u>4,875,069</u>	<u>4,704,348</u>
Overall Legal Debt Margin	<u><u>\$10,985,570</u></u>	<u><u>\$8,980,103</u></u>	<u><u>\$9,487,554</u></u>	<u><u>\$11,945,226</u></u>

(1) Direct Debt Limitation based upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.  
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's Office



*City of Heath*

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2006	2007	2008	2009	2010	2011
\$281,821,460	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150	\$268,239,290
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
29,591,253	28,937,187	27,791,687	27,732,507	27,813,991	28,165,125
4,715,000	4,480,000	4,235,000	4,015,000	3,735,000	3,555,000
(227,198)	(207,537)	(187,176)	(165,163)	(134,952)	(134,241)
4,487,802	4,272,463	4,047,824	3,849,837	3,600,048	3,420,759
<u>\$25,103,451</u>	<u>\$24,664,724</u>	<u>\$23,743,863</u>	<u>\$23,882,670</u>	<u>\$24,213,943</u>	<u>\$24,744,366</u>
\$281,821,460	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150	\$268,239,290
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
15,500,180	15,157,574	14,557,550	14,526,551	14,569,233	14,753,161
4,715,000	4,480,000	4,235,000	4,015,000	3,735,000	3,555,000
(227,198)	(207,537)	(187,176)	(165,163)	(134,952)	(134,241)
4,487,802	4,272,463	4,047,824	3,849,837	3,600,048	3,420,759
<u>\$11,012,378</u>	<u>\$10,885,111</u>	<u>\$10,509,726</u>	<u>\$10,676,714</u>	<u>\$10,969,185</u>	<u>\$11,332,402</u>

## *City of Heath*

### *Demographic and Economic Statistics Last Ten Years*

Calendar Year	2002	2003	2004	2005	2006
<b>Population</b> <sup>(1)</sup>					
City of Heath	8,527	8,527	8,527	8,527	8,527
Licking County	145,491	145,491	145,491	145,491	145,491
<b>Income</b> <sup>(2) (a)</sup>					
Total Personal (in thousands)	236,667	240,862	253,124	258,803	284,358
Per Capita	27,755	28,247	29,685	30,351	33,348
<b>Unemployment Rate</b> <sup>(3)</sup>					
Federal	4.8%	5.8%	6.0%	5.5%	5.0%
State	4.3%	5.7%	6.1%	6.0%	5.9%
Licking County	4.7%	5.3%	5.9%	5.8%	5.1%
<b>Civilian Work Force Estimates</b> <sup>(3)</sup>					
State	5,828,000	5,915,000	5,875,300	5,900,400	5,934,000
Licking County	77,800	78,800	80,500	81,100	82,700

**Sources:**

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2010 for the presentation of 2011 statistics, the City is using the latest information available.

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

(3) State Department of Labor Statistics

*City of Heath*

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2007	2008	2009	2010	2011
8,527	8,527	8,527	10,310	10,310
145,491	145,491	145,491	166,492	166,492
297,115	303,766	305,863	358,520	358,520
34,844	35,624	35,870	34,774	34,774
4.6%	5.8%	9.3%	9.6%	8.9%
5.6%	6.6%	10.2%	10.1%	8.6%
5.2%	6.1%	9.3%	9.5%	8.0%
5,976,500	5,929,800	5,900,500	5,894,000	5,806,500
84,500	85,900	84,100	83,500	84,400



## *City of Heath*

### *Principal Employers Current Year and Nine Years Ago*

Employer	Nature of Business	2011	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	902	1
Super Wal-Mart Stores	Retail Sales	433	2
Arvin/Meritor	Manufacturing	379	3
Heath City Schools	Education	295	4
Kaiser Aluminum & Chemical Co.	Manufacturing	270	5
Heath Nursing Home	Health Care	230	6
Lowe's Home Center	Retail Sales	208	7
John Hinderer Honda	Retail Sales	182	8
Englefield Oil	Petroleum Products	149	9
JC Penney's	Retail Sales	149	10
Total		<u>3,197</u>	

Employer	Nature of Business	2002	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	997	1
Arvin/Meritor	Manufacturing	638	2
Kaiser Aluminum & Chemical Co.	Manufacturing	261	3
Wal-Mart Stores	Retail Sales	259	4
Heath Nursing Home	Health Care	213	5
Kroger	Retail/Grocery	201	6
Lowe's Home Center	Retail Sales	185	7
Englefield Oil	Petroleum Products	170	8
Heath City Schools	Education	166	9
Sears	Retail Sales	161	10
Total		<u>3,251</u>	

**Sources:**

City of Heath Income Tax Department

Note: Total employees within the City limits is not available.

## *City of Heath*

### *Full Time Equivalent Employees by Function Last Ten Years*

	2002	2003	2004	2005	2006
<b>Governmental Activities</b>					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor	1.00	1.00	1.00	1.00	1.00
Council	7.00	7.00	7.00	7.00	7.00
Clerk of Council	1.00	1.00	1.00	1.00	1.00
Legal	2.00	2.00	2.00	2.00	2.00
Administration	3.25	3.00	3.00	3.00	3.25
Income Tax	5.00	5.00	5.00	4.00	4.00
Service	1.25	1.25	1.00	1.00	1.00
Security of Persons and Property					
Police	22.00	21.00	19.00	19.00	18.00
Fire	27.00	23.50	22.50	16.00	16.50
Communications	9.00	9.50	9.50	10.50	11.00
Transportation					
Street	11.00	10.00	10.00	10.00	9.00
Leisure Time Activities					
Recreation / Parks	11.00	10.00	9.50	8.25	8.00
Water Park	27.25	34.75	36.75	31.25	31.00
Community Environment					
Zoning	2.00	2.00	2.00	2.00	2.00
<b>Business-Type Activities</b>					
Utilities					
Water	8.25	8.00	8.00	8.00	8.25
Sewer	9.25	9.00	9.00	9.00	7.50
<i>Total Employees</i>	<u>148.25</u>	<u>149.00</u>	<u>147.25</u>	<u>134.00</u>	<u>131.50</u>

**Method:** 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee

Source: City Auditor's Office

*City of Heath*

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2007	2008	2009	2010	2011
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	2.00
3.50	3.50	3.25	3.25	3.25
4.00	4.00	4.00	4.00	4.00
1.00	1.25	0.50	0.50	0.50
18.00	18.00	18.00	18.50	19.50
16.00	16.00	16.00	16.00	16.00
7.50	8.00	7.50	6.00	6.00
8.50	7.50	8.50	7.50	7.50
7.75	7.50	6.25	5.25	4.75
29.50	31.50	37.00	38.00	40.50
2.00	2.00	2.00	2.00	2.00
7.50	8.00	9.50	9.50	9.00
7.75	8.00	9.00	9.00	8.75
125.00	127.25	133.50	131.50	133.75

## *City of Heath*

### *Operating Indicators by Function Last Ten Years*

	2002	2003	2004	2005
<b>Governmental Activities</b>				
General Government				
Council				
Members	7	7	7	7
Number of Ordinances passed	135	106	116	96
Number of Resolutions passed	11	15	20	15
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	1,188	1,500	1,349	1,135
Number of Arrests	763	616	538	583
Fire				
Number of Calls	1,804	1,705	1,903	1,864
Number of Inspections	306	302	376	354
Transportation				
Street				
Number of Streets Resurfaced	2	4	3	4
Leisure Time Activities				
Recreation / Parks				
Number of Pool/Water Park Memberships Sold	925	984	888	962
Community Environment				
Number of Building Permits	119	154	139	157
Number of Building Inspections	100	141	130	128
Number of Board of Building and Zoning Appeal Cases	10	13	17	26
<b>Business-Type Activities</b>				
Water				
Number of Service Connections	3,398	3,398	3,425	3,425
Daily Average Consumption (thousands of gallons)	1,500	1,200	1,200	1,200
Maximun Daily Capacity (thousands of gallons)	1,800	4,000	4,000	4,000
Sewer				
Daily Average Sewage Treatment (thousands of gallons)	1,400	1,300	1,300	1,300

Source: City Auditor's Office



*City of Heath*

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2006	2007	2008	2009	2010	2011
7	7	7	7	7	7
97	110	99	112	81	100
11	10	7	6	8	10
1,523	1,582	1,412	1,286	1,312	1,054
589	600	472	470	471	548
1,914	1,964	2,058	2,122	2,038	2,052
320	342	522	432	415	392
2	11	8	11	7	1
928	1,142	1,072	950	930	994
196	110	82	80	74	81
177	87	54	66	48	31
20	19	16	11	11	17
3,425	3,750	3,750	3,750	4,285	3,764
1,300	1,300	1,300	1,300	1,200	1,200
4,000	4,000	4,000	4,000	4,000	4,000
1,300	1,600	1,600	1,600	1,300	1,472

## *City of Heath*

### *Capital Asset Statistics by Function Last Ten Years*

	2002	2003	2004	2005
<b>Governmental Activities</b>				
General Government				
Public Land and Buildings				
Land (acres)	130	130	136	132
Buildings	21	21	22	23
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Vehicles	8	8	8	8
Fire				
Stations	2	2	2	2
Vehicles	10	9	9	9
Transportation				
Street				
Streets (lane miles)	86	87	87	87
Street Lights	654	660	660	705
Traffic Signals (Intersections)	14	17	17	17
Vehicles	14	14	14	14
Leisure Time Activities				
Recreation / Parks				
Land (acres)	358	358	366	376
Buildings	2	2	2	2
Parks	9	9	10	11
Playgrounds	3	3	3	3
Swimming Pools	1	1	1	1
Baseball/Softball Diamonds	7	7	7	7
Sand Volleyball Courts	2	2	2	2

*City of Heath*

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2006	2007	2008	2009	2010	2011
132	132	132	138	138	138
23	23	23	23	23	23
1	1	1	1	1	1
8	8	7	7	7	7
2	2	2	2	2	2
10	10	10	12	11	9
87	90	90	91	91	91
707	708	708	708	709	709
18	18	18	18	19	19
14	14	14	14	14	14
376	376	376	376	376	376
2	2	2	3	3	3
11	11	11	11	11	11
3	4	4	4	4	4
1	1	1	1	1	1
7	7	7	8	8	8
2	2	2	2	2	2

## *City of Heath*

### *Capital Asset Statistics by Function Last Ten Years*

	2002	2003	2004	2005
<b>Business-Type Activities</b>				
Utilities				
Water				
Waterlines (Miles)	62	67	71	74
Pump Stations	4	4	4	5
Number of Hydrants	529	540	560	588
Average Daily Consumption	1,500,000	1,200,000	1,200,000	1,200,000
Storage Capacity (thousands of gallons)	2,165	2,165	2,165	2,165
Sewer				
Sewerlines (Miles)	82	96	101	105
Lift Stations	16	16	18	19
Storm Drains (Miles)	52	52	52	52
Treatment Capacity (thousands of gallons)	1,750	1,750	1,750	1,750

Source: City Auditor's Office

*City of Heath*

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2006	2007	2008	2009	2010	2011
79	81	81	81	86	86
5	5	5	5	3	3
594	766	767	767	770	770
1,400,000	1,300,000	1,300,000	1,300,000	1,200,000	1,200,000
2,165	2,165	2,165	2,165	1,285	2,380
110	112	113	113	115	116
19	18	20	20	21	21
60	60	60	60	60	60
1,750	1,750	1,750	1,750	1,750	1,750



**CITY OF HEATH**  
**LICKING COUNTY**  
**REGULAR AUDIT**  
**JANUARY 1, 2011 – DECEMBER 31, 2011**



**CITY OF HEATH  
LICKING COUNTY**

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

City of Heath  
Licking County  
1287 Hebron Road  
Heath, Ohio 45056

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2012 wherein we noted the City adopted GASB Statement No. 54 and restated net assets to properly report construction in progress. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that material financial misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
1-800-523-6611  
FAX (740) 345-5635

City of Heath  
Licking County  
Independent Auditors' Report on the Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*

**Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 20, 2012.

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

We intend this report solely for the information and use of the management, the Finance Committee, City Council, and others within the City. We intend it for no one other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
June 20, 2012

**CITY OF HEATH  
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND REPSONSES  
JANUARY 1, 2011 - DECEMBER 31, 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Financial Reporting**

Internal control procedures governing the compilation and presentation of the basic financial statements is the responsibility of management regardless if this service is performed by a contracted external organization. Thus it is important that management develop control procedures to monitor the preparation of the basic financial statements including drafting the related footnotes to prevent and detect potential misstatements prior to audit. Although the City has increased the level of monitoring over financial reporting when compared to prior years, we identified the following audit adjustments and reclassifications:

- The City has several authorized agreements with the Ohio Department of Transportation for Local Let Projects. The City's responsibility for all current projects through the Ohio Department of Transportation is limited to passing enabling legislation for these projects and to provide local matching funds. Although the Ohio Department of Transportation is responsible for administering these projects, the City should still record related construction in progress within its accounting records. Audit adjustments totaling \$3,522,193 were required to restate net assets (\$735,264) and record 2011 construction in progress (\$2,786,929) associated with improvements to State Route 79.

We recommend the City continue to monitor the financial reporting process to ensure the basic financial statements are complete prior to audit. Items above were communicated to the City and subsequently posted to the basic financial statements

***Officials Response:*** The City will properly record any future project funding.

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# Dave Yost • Auditor of State

**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  
SEPTEMBER 11, 2012**