



Dave Yost • Auditor of State

CITY OF WHITEHALL
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Whitehall
Franklin County
360 S. Yearling Road
Whitehall, Ohio 43213

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio, as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and TIF Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The management's discussion and analysis of the City of Whitehall's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- The total net position of the City increased \$1,236,894 or 3.49% compared to 2011.
- General revenues accounted for \$24,847,420 or 87.54% of total governmental activities revenue. Program specific revenues accounted for \$3,535,088 or 12.46% of total governmental activities revenue.
- The City had \$27,145,614 in expenses related to governmental activities; \$3,535,088 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities were offset by general revenues (primarily property taxes, payment in lieu of taxes, income taxes and unrestricted grants and entitlements) of \$24,847,420.
- The general fund had revenues and transfers in of \$24,731,630 in 2012. The expenditures and transfers out of the general fund totaled \$24,651,596 in 2012. The net increase in fund balance for the general fund was \$80,034 or 1.28%.
- The TIF fund had revenues of \$525,600 in 2012. The expenditures of the TIF fund totaled \$294,881 in 2012. The net increase in fund balance for the TIF fund was \$230,719 or 20.25%.
- In the general fund, the actual revenues and other financing sources of \$24,902,565 were lower than the final budget of \$25,955,959. Actual expenditures and other financing uses of \$25,212,867 were less than the amount in the final budget of \$26,523,780. Budgeted revenues and other financing sources increased \$378,059 from the original to the final budget while budgeted expenditures and other financing uses increased \$1,605,967.

Using this Annual Financial Report

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

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2012?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflow, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net positions and the statement of activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and municipal income taxes, payments in lieu of taxes, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the TIF fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 17 through 22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial 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. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 23 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-55 of this report.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. Certain asset, deferred outflow of resources, liability, deferred inflow of resources, and net position classifications have been restated by the City for 2011 to conform to 2012 presentation in accordance with GASB Statement No. 63 and GASB Statement No. 65. The net position of the City was restated at December 31, 2011 as described in Note 3.A to the basic financial statements. The table below provides the City's net position at December 31, 2012 and December 31, 2011.

	Net Position	
	Governmental Activities 2012	(Restated) Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 18,577,780	\$ 17,453,676
Capital assets	<u>24,174,445</u>	<u>23,887,582</u>
Total assets	<u>42,752,225</u>	<u>41,341,258</u>
<u>Deferred Outflows</u>	<u>28,153</u>	<u>33,879</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	3,353,555	3,247,555
Other liabilities	<u>1,915,558</u>	<u>1,817,251</u>
Total liabilities	<u>5,269,113</u>	<u>5,064,806</u>
<u>Deferred Inflows</u>	<u>804,105</u>	<u>840,065</u>
<u>Net Position</u>		
Net investment in capital assets	22,768,813	22,413,809
Restricted	3,511,025	3,779,362
Unrestricted	<u>10,427,322</u>	<u>9,277,095</u>
Total net position	<u>\$ 36,707,160</u>	<u>\$ 35,470,266</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2012, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$36,707,160.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 56.55% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles and infrastructure. The net investment in capital assets at December 31, 2012, was \$22,768,813 in the governmental activities. These capital assets are used to provide services to citizens and are not available for future spending.

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

A portion of the City's net position, \$3,511,025, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$10,427,322 may be used to meet the City's ongoing obligations to citizens and creditors.

The net position of the City was restated at December 31, 2011 as described in Note 3.A to the basic financial statements. In addition, economic development expenses have been reclassified out of general government expenses in 2011 for consistent presentation with 2012. The table below shows the changes in net position for 2012 and 2011.

	Change in Net Position	
	(Restated)	
	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services	\$ 1,820,566	\$ 2,216,976
Operating grants and contributions	840,603	1,169,979
Capital grants and contributions	873,919	1,800,747
Total program revenues	<u>3,535,088</u>	<u>5,187,702</u>
General revenues:		
Municipal income taxes	21,951,825	20,570,658
Property taxes	348,432	393,669
Lodging taxes	99,521	92,749
Payments in lieu of taxes	525,600	408,308
Unrestricted grants and entitlements	1,212,711	1,604,801
Investment earnings	38,504	72,370
Miscellaneous	670,827	360,148
Total general revenues	<u>24,847,420</u>	<u>23,502,703</u>
Total revenues	<u>28,382,508</u>	<u>28,690,405</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

	Change in Net Position	
	Governmental Activities 2012	(Restated) Governmental Activities 2011
Expenses		
General government	\$ 8,584,595	\$ 6,335,187
Security of persons and property	13,085,319	12,965,963
Public health and welfare	110,644	124,388
Transportation	2,876,440	2,701,909
Community environment	29,538	26,063
Leisure time activity	908,997	803,154
Economic development	253,708	164,160
Utility services	1,236,778	1,541,342
Interest and fiscal charges	59,595	74,273
	<u>27,145,614</u>	<u>24,736,439</u>
Total expenses		
	<u>1,236,894</u>	<u>3,953,966</u>
Change in net position		
	<u>35,470,266</u>	<u>31,516,300</u>
Net position at beginning of year (restated)		
	<u>\$ 36,707,160</u>	<u>\$ 35,470,266</u>
Net position at end of year		

Governmental Activities

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$13,085,319 of the total expenses of the City. These expenses were partially funded by \$604,737 in direct charges to users of the services and \$33,210 in operating grants and contributions. Transportation expenses totaled \$2,876,440. Transportation expenses were primarily funded by \$146,237 in direct charges to users of the services, \$734,721 in operating grants and contributions and \$866,919 in capital grants and contributions.

During 2012, the state and federal government contributed to the City a total of \$1,714,522 in operating grants and contributions and capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total grants and contributions, \$1,601,640 subsidized transportation programs, and \$33,210 subsidized security of persons and property programs. The City received \$873,919 in capital grants and contributions which includes funds from OPWC and ODOT for road projects.

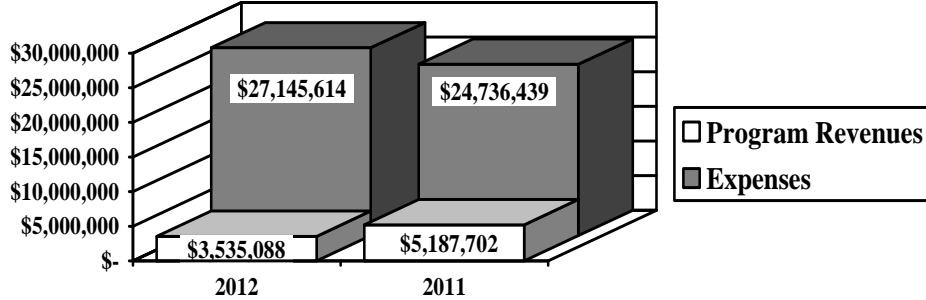
General revenues totaled \$24,847,420, and amounted to 87.54% of total governmental revenues in 2012. These revenues primarily consist of property and municipal income tax revenue of \$22,399,778. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$1,212,711.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Economic development expenses have been reclassified out of general government expenses in 2011 for consistent presentation with 2012. As can be seen in the graph below, the City is highly dependent upon property and municipal income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

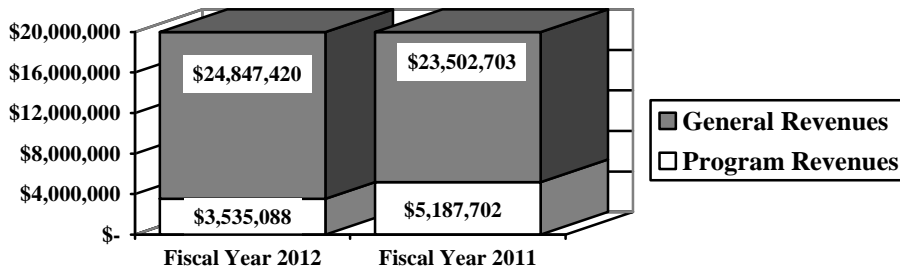
Governmental Activities - Program Revenues vs. Total Expenses



	Governmental Activities			
	2012		2011 (reclassified)	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses:				
General government	\$ 8,584,595	\$ 7,687,170	\$ 6,335,187	\$ 5,200,820
Security of persons and property	13,085,319	12,447,372	12,965,963	11,883,334
Public health and welfare	110,644	39,972	124,388	124,388
Transportation	2,876,440	1,128,563	2,701,909	(15,146)
Community environment	29,538	20,538	26,063	(41,089)
Leisure time activity	908,997	736,830	803,154	616,655
Economic development	253,708	253,708	164,160	164,160
Utility services	1,236,778	1,236,778	1,541,342	1,541,342
Interest and fiscal charges	59,595	59,595	74,273	74,273
Total	\$ 27,145,614	\$ 23,610,526	\$ 24,736,439	\$ 19,548,737

The dependence upon general revenues for governmental activities is apparent, with 86.98% of expenses supported through taxes and other general revenues for 2012.

Governmental Activities - General and Program Revenues



**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$13,835,066 which is \$403,583 greater than last year's total of \$13,431,483. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2012 and December 31, 2011 for all major and nonmajor governmental funds.

	Fund Balances 12/31/12	Fund Balances 12/31/11	Increase
Major funds:			
General	\$ 6,345,722	\$ 6,265,688	\$ 80,034
TIF	1,369,980	1,139,261	230,719
Other nonmajor governmental funds	6,119,364	6,026,534	92,830
Total	<u>\$ 13,835,066</u>	<u>\$ 13,431,483</u>	<u>\$ 403,583</u>

General Fund

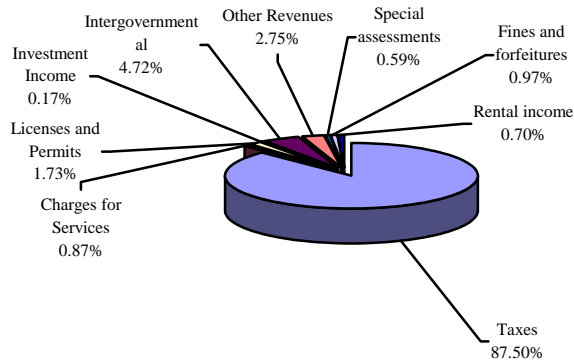
The City's general fund balance increased \$80,034. The table that follows assists in illustrating the revenues of the general fund. Intergovernmental revenue decreased \$603,204 or 34.09% primarily due to a decline in receipts from the State of Ohio related to local government funding. Other revenue increased due to an increase in stop loss reimbursements as a result of four city employees reaching the stop loss in 2012. Although investment income decreased 39.84% due to a decline in interest rates; the amount is immaterial to total revenues.

	2012 Amount	2011 Amount	Amount Increase (Decrease)	Percentage Increase (Decrease)
Revenues				
Taxes	\$ 21,634,694	\$ 21,443,659	\$ 191,035	0.89 %
Charges for services	214,861	206,048	8,813	4.28 %
Licenses and permits	426,689	444,285	(17,596)	(3.96) %
Fines and forfeitures	239,928	276,376	(36,448)	(13.19) %
Intergovernmental	1,166,035	1,769,239	(603,204)	(34.09) %
Special assessments	146,237	144,067	2,170	1.51 %
Investment income	43,156	71,732	(28,576)	(39.84) %
Rental income	172,167	186,499	(14,332)	(7.68) %
Other	679,052	362,148	316,904	87.51 %
Total	<u>\$ 24,722,819</u>	<u>\$ 24,904,053</u>	<u>\$ (181,234)</u>	<u>(0.73) %</u>

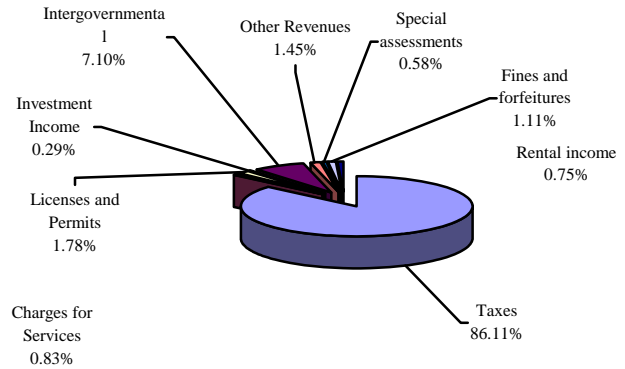
**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Revenues - 2012



Revenues - 2011



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

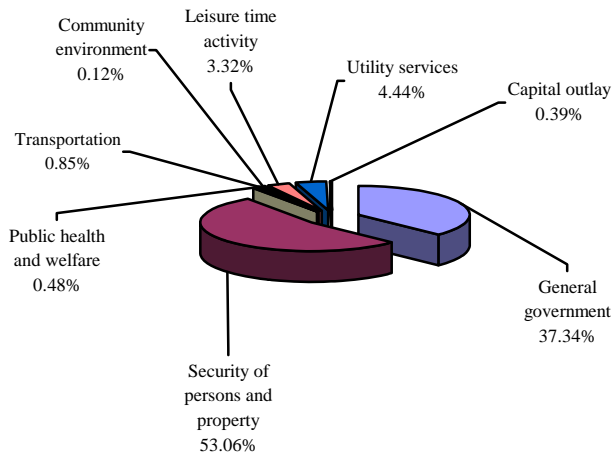
	2012 Amount	2011 Amount	Amount Increase / (Decrease)	Percentage Increase / (Decrease)
Expenditures				
General government	\$ 8,152,273	\$ 5,887,520	\$ 2,264,753	38.47 %
Security of persons and property	11,583,576	11,042,892	540,684	4.90 %
Public health and welfare	104,000	110,096	(6,096)	(5.54) %
Transportation	184,804	581,390	(396,586)	(68.21) %
Community environment	25,635	2,791	22,844	818.49 %
Leisure time activity	724,127	670,318	53,809	8.03 %
Utility services	969,174	1,404,511	(435,337)	(31.00) %
Capital outlay	85,384	233,022	(147,638)	(63.36) %
Debt service	-	10,056	(10,056)	(100.00) %
Total	\$ 21,828,973	\$ 19,942,596	\$ 1,886,377	9.46 %

The most significant increase was in the area of general government and can be attributed primarily to and increase in employee health care related and pension benefit costs. In addition, the City increased contingency expenditures approximately \$314,000 and information technology expenditures approximately \$103,000 in 2012 versus 2011. Security of persons and property expenditures increased due to normal and customary wage, benefit and pension cost increases. The decrease in transportation can be attributed to the general fund making expenditures in the prior year which should have been made out of the TIF fund. During fiscal year 2012, the TIF Fund reimbursed \$250,000 the general fund. This reimbursement offset transportation as the expenditures related to transportation projects. Utility services expenditures decreased approximately \$565,000 due to the repair of waterline breaks made in 2011. The decrease in capital outlay is due to less capital acquisition by the City than in prior year. The decrease in debt service relates to capital lease payments that are no longer being made out of the general fund.

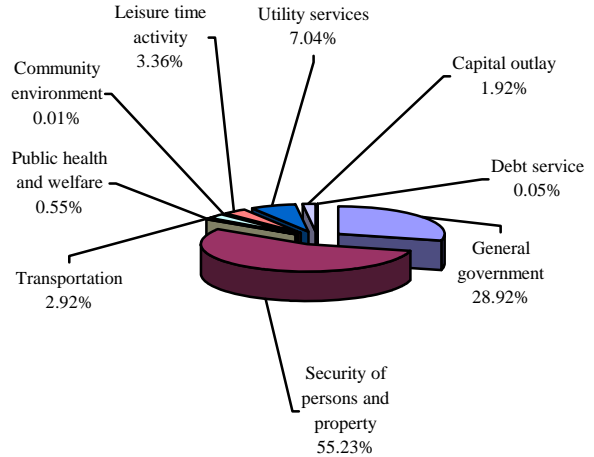
**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Expenditures - 2012



Expenditures - 2011



TIF Fund

The City's TIF fund had revenues of \$525,600 in 2012. The expenditures of the TIF fund totaled \$294,881 in 2012. The net increase in fund balance for the TIF fund was \$230,719 or 20.25%.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the General Fund. The actual revenues and other financing sources of \$24,902,565 were lower than the final budget of \$25,955,959. Actual expenditures and other financing uses of \$25,212,867 were less than the amount in the final budget of \$26,523,780. Budgeted revenues and other financing sources increased \$378,059 from the original to the final budget while budgeted expenditures and other financing uses increased \$1,605,967.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012, the City had \$24,174,445 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles and infrastructure, which is an increase of \$286,863 from prior year primarily due to an increase in infrastructure from various street improvement projects throughout the City.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

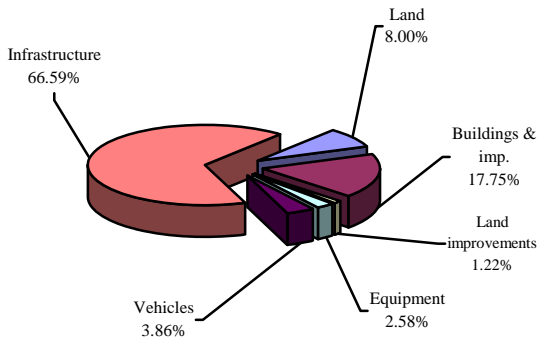
The following table shows fiscal 2012 balances compared to 2011:

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

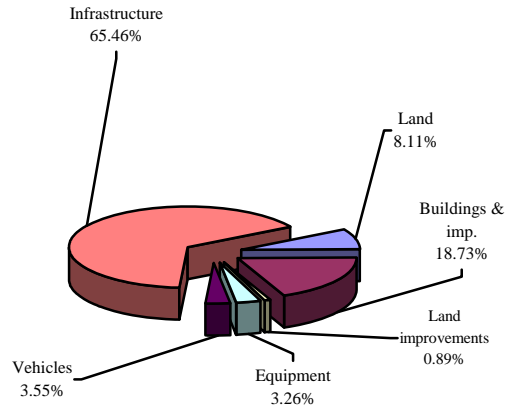
	Governmental Activities	
	2012	2011
Land	\$ 1,936,482	\$ 1,936,482
Land improvements	294,318	211,515
Buildings and improvements	4,290,001	4,473,914
Equipment	623,512	779,597
Vehicles	932,735	848,147
Infrastructure	16,097,397	15,637,927
Totals	\$ 24,174,445	\$ 23,887,582

The following graphs show the breakdown of governmental capital assets by category for 2012 and 2011.

**Capital Assets - Governmental Activities
2012**



**Capital Assets - Governmental Activities
2011**



The City's largest capital asset category is infrastructure. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 66.59% of the City's total governmental capital assets. See Note 10 to the basic financial statements for detail on capital assets.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2012 and 2011:

	Governmental Activities	
	2012	2011
Compensated absences	\$ 1,916,053	\$ 1,739,903
General obligation bonds	1,060,000	1,255,000
OPWC loans	319,655	161,376
Capital lease obligation	24,361	28,695
Lease-purchase agreement	29,842	58,196
 Total long-term obligations	 \$ 3,349,911	 \$ 3,243,170

See Note 12 to the basic financial statements for detail on long-term obligations.

Economic Conditions and Next Year's General Fund Budget Outlook

The City of Whitehall remains strong financially. The City of Whitehall's systems of budgeting and internal controls are well regarded and the City is well prepared to meet the challenges of the future. In November of 2010, the voters approved a 0.5% increase in municipal income tax, from 2.0% to 2.5%, effective January 1, 2011. The extra funds generated by the increased income tax will be used to meet EPA water improvement mandates, upgraded infrastructure, renovation and building of a community recreation center and supporting general fund activities.

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget. Most of our revenues are influenced by the economy. The City income tax revenue forecast, particularly, is highly influenced by economic conditions. The primary objective for the 2013 budget was continued improvement service delivery to constituents.

When considering the economic health of the city, the unassigned fund balance serves as a useful indicator of the City's net resources available for spending at year-end. At the end of 2012, the City's general fund unassigned fund balance increased from the previous year even though revenue was down from the previous year due to fiscal constraint.

During this time of statewide recession, the administration should strongly consider the effect of downward pressures on future revenue and the impact it has upon maintaining current citywide services to residents and taxpayers. In order to achieve this, administration must be committed to maintaining comprehensive efforts to reduce costs and maximize efficiency.

In order to meet the challenges of 2013, a strong and balanced commitment to cost containment and continued revenue enhancement in respect to the general fund is essential. The City's financial position will remain stable only if thorough and conservative financial management is practiced while aggressively seeking new development opportunities and other sources of revenue.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)**

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Dan Miller, City Auditor, City of Whitehall, 360 S. Yearling Road, Whitehall, Ohio 43213.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 13,832,740
Cash with fiscal and escrow agent	126,106
Receivables (net of allowances for uncollectibles):	
Income taxes.	2,209,419
Property and other taxes	420,770
Payments in lieu of taxes.	474,676
Accounts.	274,236
Special assessments	239,825
Accrued interest	4,290
Due from other governments.	773,177
Prepayments	101,650
Materials and supplies inventory.	120,891
Capital assets:	
Land	1,936,482
Depreciable capital assets, net.	22,237,963
Total capital assets, net.	<u>24,174,445</u>
Total assets	<u>42,752,225</u>
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	<u>28,153</u>
Liabilities:	
Accounts payable.	448,645
Accrued wages and benefits payable	499,797
Due to other governments	787,436
Accrued interest payable	3,500
Claims payable.	176,180
Long-term liabilities:	
Due within one year	1,444,058
Due in more than one year.	1,909,497
Total liabilities	<u>5,269,113</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	329,429
Payments in lieu of taxes levied for the next fiscal year.	<u>474,676</u>
Total deferred inflows of resources	<u>804,105</u>
Net position:	
Net investment in capital assets.	22,768,813
Restricted for:	
Capital projects	98,510
Street maintenance and repair	1,954,948
Economic development	149,868
Community development	555,713
Human services programs	751,986
Unrestricted	<u>10,427,322</u>
Total net position	<u>\$ 36,707,160</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 8,584,595	\$ 897,425	\$ -	\$ -	\$ (7,687,170)
Security of persons and property	13,085,319	604,737	33,210	-	(12,447,372)
Public health and welfare	110,644	-	70,672	-	(39,972)
Transportation	2,876,440	146,237	734,721	866,919	(1,128,563)
Community environment	29,538	-	2,000	7,000	(20,538)
Leisure time activity	908,997	172,167	-	-	(736,830)
Economic development	253,708	-	-	-	(253,708)
Utility services	1,236,778	-	-	-	(1,236,778)
Interest and fiscal charges	59,595	-	-	-	(59,595)
Total governmental activities	\$ 27,145,614	\$ 1,820,566	\$ 840,603	\$ 873,919	(23,610,526)
General revenues:					
Property taxes levied for:					
General purposes					348,432
Municipal income taxes levied for:					
General purposes					21,951,825
Lodging taxes levied for:					
Special revenue					99,521
Payments in lieu of taxes					525,600
Grants and entitlements not restricted					
to specific programs					1,212,711
Investment earnings					38,504
Miscellaneous					670,827
Total general revenues					24,847,420
Change in net position					1,236,894
Net position at beginning of year (restated)					35,470,266
Net position at end of year					\$ 36,707,160

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General</u>	<u>TIF Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 6,487,064	\$ 1,369,980	\$ 5,975,696	\$ 13,832,740
Receivables (net of allowance for uncollectibles):				
Municipal income taxes	2,209,419	-	-	2,209,419
Property and other taxes	414,787	-	5,983	420,770
Payments in lieu of taxes	-	474,676	-	474,676
Accounts	75,322	-	198,914	274,236
Interfund loans	-	-	29,990	29,990
Accrued interest	4,290	-	-	4,290
Special assessments	239,825	-	-	239,825
Due from other funds	-	-	1,267	1,267
Due from other governments	467,844	-	305,333	773,177
Prepayments	101,650	-	-	101,650
Materials and supplies inventory	39,367	-	81,524	120,891
Restricted assets:				
Cash with fiscal and escrow agents	-	-	126,106	126,106
Total assets	<u>\$ 10,039,568</u>	<u>\$ 1,844,656</u>	<u>\$ 6,724,813</u>	<u>\$ 18,609,037</u>
Liabilities:				
Accounts payable	\$ 196,752	\$ -	\$ 251,893	\$ 448,645
Accrued wages and benefits payable	475,400	-	24,397	499,797
Compensated absences payable	150,661	-	-	150,661
Interfund loans payable	-	-	29,990	29,990
Due to other funds	1,267	-	-	1,267
Due to other governments	780,042	-	7,394	787,436
Claims payable	176,180	-	-	176,180
Total liabilities	<u>1,780,302</u>	<u>-</u>	<u>313,674</u>	<u>2,093,976</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	329,429	-	-	329,429
Payments in lieu of taxes levied for the next fiscal year	-	474,676	-	474,676
Delinquent property tax revenue not available	85,358	-	-	85,358
Accrued interest not available	1,985	-	-	1,985
Special assessments revenue not available	239,825	-	-	239,825
Miscellaneous revenue not available	21,545	-	86,179	107,724
Municipal income tax revenue not available	956,936	-	-	956,936
Intergovernmental revenue not available	278,466	-	205,596	484,062
Total deferred inflows of resources	<u>1,913,544</u>	<u>474,676</u>	<u>291,775</u>	<u>2,679,995</u>
Fund balances:				
Nonspendable	141,617	-	81,524	223,141
Restricted	-	1,369,980	1,883,937	3,253,917
Committed	693,269	-	4,155,549	4,848,818
Assigned	613,335	-	2,840	616,175
Unassigned (deficit)	4,897,501	-	(4,486)	4,893,015
Total fund balances	<u>6,345,722</u>	<u>1,369,980</u>	<u>6,119,364</u>	<u>13,835,066</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,039,568</u>	<u>\$ 1,844,656</u>	<u>\$ 6,724,813</u>	<u>\$ 18,609,037</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012**

Total governmental fund balances		\$ 13,835,066
 <i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,174,445
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.		
Municipal income taxes receivable	\$ 956,936	
Property taxes receivable	85,358	
Accounts receivable	107,724	
Accrued interest receivable	1,985	
Special assessments receivable	239,825	
Intergovernmental receivable	484,062	
Total	1,875,890	1,875,890
On the statement of net position, interest is accrued on outstanding bonds, whereas in funds, interest is accrued when due.		(3,500)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds payable	(1,060,000)	
OPWC loan	(319,655)	
Capital lease obligations payable	(24,361)	
Lease-purchase agreement payable	(29,842)	
Compensated absences payable	(1,765,392)	
Total	(3,199,250)	(3,199,250)
Unamortized deferred charges on refundings are not recognized in the funds.		28,153
Unamortized premiums on bond issuances are not recognized in the funds.		(3,644)
Net position of governmental activities		\$ 36,707,160

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>TIF Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Municipal income taxes	\$ 21,297,923	\$ -	\$ -	\$ 21,297,923
Property and other taxes.	336,771	-	99,521	436,292
Payments in lieu of taxes	-	525,600	-	525,600
Charges for services.	214,861	-	500,461	715,322
Licenses and permits	426,689	-	202,786	629,475
Fines and forfeitures	239,928	-	28,429	268,357
Intergovernmental.	1,166,035	-	1,711,417	2,877,452
Special assessments	146,237	-	-	146,237
Investment income.	43,156	-	698	43,854
Rental income	172,167	-	-	172,167
Contributions and donations.	8,225	-	-	8,225
Other	670,827	-	7,000	677,827
Total revenues	<u>24,722,819</u>	<u>525,600</u>	<u>2,550,312</u>	<u>27,798,731</u>
Expenditures:				
Current:				
General government	8,152,273	-	3,795	8,156,068
Security of persons and property	11,583,576	-	522,153	12,105,729
Public health and welfare.	104,000	-	1,603	105,603
Transportation	184,804	294,881	1,150,986	1,630,671
Community environment	25,635	-	2,000	27,635
Leisure time activity	724,127	-	-	724,127
Economic development.	-	-	253,708	253,708
Utility services	969,174	-	267,604	1,236,778
Capital outlay	85,384	-	2,944,776	3,030,160
Debt service:				
Principal retirement.	-	-	240,955	240,955
Interest and fiscal charges	-	-	55,260	55,260
Total expenditures	<u>21,828,973</u>	<u>294,881</u>	<u>5,442,840</u>	<u>27,566,694</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,893,846</u>	<u>230,719</u>	<u>(2,892,528)</u>	<u>232,037</u>
Other financing sources (uses):				
Capital lease transaction.	-	-	3,717	3,717
Transfers in	8,811	-	2,822,623	2,831,434
Transfers (out).	(2,822,623)	-	(8,811)	(2,831,434)
Loan proceeds	-	-	167,829	167,829
Total other financing sources (uses)	<u>(2,813,812)</u>	<u>-</u>	<u>2,985,358</u>	<u>171,546</u>
Net change in fund balances	80,034	230,719	92,830	403,583
Fund balances at beginning of year	<u>6,265,688</u>	<u>1,139,261</u>	<u>6,026,534</u>	<u>13,431,483</u>
Fund balances at end of year	<u>\$ 6,345,722</u>	<u>\$ 1,369,980</u>	<u>\$ 6,119,364</u>	<u>\$ 13,835,066</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances - total governmental funds **\$ 403,583**

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 the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 1,956,846	
Current year depreciation	(1,604,016)	
Total	352,830	352,830

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (65,967)

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

Municipal income taxes	653,902	
Property taxes	11,661	
Accounts	(110,992)	
Accrued interest	(4,652)	
Special assessments	67,139	
Intergovernmental	(33,281)	
Total	583,777	583,777

Repayment of bond, loan, capital lease, and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term long-term liabilities on the statement of net position. 240,955

Proceeds of OPWC loans are recorded as an other financing source in the funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position. (167,829)

Capital lease transactions are recognized as an other financing source in the funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position. (3,717)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items contributed to more interest being reported in the statement of activities:

Decrease in accrued interest payable	650	
Amortization of bond premium	741	
Amortization of deferred charges on refunding	(5,726)	
Total	(4,335)	(4,335)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (102,403)

Change in net position of governmental activities **\$ 1,236,894**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Municipal income taxes	\$ 21,745,522	\$ 22,066,934	\$ 21,171,373	\$ (895,561)
Property and other taxes.	345,904	351,017	336,771	(14,246)
Charges for services.	154,272	156,553	150,199	(6,354)
Licenses and permits	440,672	447,186	429,037	(18,149)
Fines and forfeitures	250,132	253,829	243,528	(10,301)
Intergovernmental.	1,245,671	1,264,082	1,212,781	(51,301)
Special assessments	150,203	152,423	146,237	(6,186)
Investment income.	44,939	45,603	43,752	(1,851)
Rental income	176,836	179,450	172,167	(7,283)
Contributions and donations.	8,448	8,573	8,225	(348)
Other	674,220	684,186	656,419	(27,767)
Total revenues	<u>25,236,819</u>	<u>25,609,836</u>	<u>24,570,489</u>	<u>(1,039,347)</u>
Expenditures:				
Current:				
General government	6,973,657	7,555,251	7,234,668	320,583
Security of persons and property	12,269,780	12,632,104	12,084,430	547,674
Public health and welfare.	112,000	104,000	104,000	-
Transportation	555,130	550,089	505,670	44,419
Community environment	35,893	34,610	27,137	7,473
Leisure time activity	843,942	834,070	741,627	92,443
Utility services	913,410	1,213,827	1,158,262	55,565
Capital outlay	199,450	110,828	103,554	7,274
Total expenditures	<u>21,903,262</u>	<u>23,034,779</u>	<u>21,959,348</u>	<u>1,075,431</u>
Excess of revenues over expenditures.	<u>3,333,557</u>	<u>2,575,057</u>	<u>2,611,141</u>	<u>36,084</u>
Other financing sources (uses):				
Sale of capital assets.	9,329	9,467	9,083	(384)
Advances in and not repaid	963	978	938	(40)
Advances (out) and not repaid	(50,000)	(25,000)	-	25,000
Transfers in	330,789	335,678	322,055	(13,623)
Transfers (out).	(2,964,551)	(3,464,001)	(3,253,519)	210,482
Total other financing sources (uses)	<u>(2,673,470)</u>	<u>(3,142,878)</u>	<u>(2,921,443)</u>	<u>221,435</u>
Net change in fund balances	660,087	(567,821)	(310,302)	257,519
Fund balances at beginning of year	4,934,208	4,934,208	4,934,208	-
Prior year encumbrances appropriated	397,037	397,037	397,037	-
Fund balance at end of year	<u>\$ 5,991,332</u>	<u>\$ 4,763,424</u>	<u>\$ 5,020,943</u>	<u>\$ 257,519</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TIF FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$ 408,308	\$ 408,308	\$ 525,600	\$ 117,292
Total revenues	<u>408,308</u>	<u>408,308</u>	<u>525,600</u>	<u>117,292</u>
Expenditures:				
General government	-	294,881	294,881	-
Total expenditures	<u>-</u>	<u>294,881</u>	<u>294,881</u>	<u>-</u>
Net change in fund balances	408,308	113,427	230,719	117,292
Fund balances at beginning of year	1,139,261	1,139,261	1,139,261	-
Fund balance at end of year	<u>\$ 1,547,569</u>	<u>\$ 1,252,688</u>	<u>\$ 1,369,980</u>	<u>\$ 117,292</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012**

	Agency
Assets:	
Equity in pooled cash and investments	\$ 776,506
Total assets	\$ 776,506
Liabilities:	
Accounts payable	\$ 43,199
Due to other governments	1,147
Deposits held and due to others	732,160
Total liabilities	\$ 776,506

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

A. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. To provide necessary services to its citizens, the City is divided into various departments including police, fire fighting and prevention, emergency medical services, street maintenance, parks and recreation, public service and planning and zoning. The operation of each of these departments is directly controlled by the City through the budgetary process and therefore is included as a part of the reporting entity.

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

The City participates in the Mid-Ohio Regional Planning Commission which is considered a jointly governed organization and is further discussed in Note 18 of the basic financial statements.

B. Basis of Presentation - Fund Accounting

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

Government-Wide Financial Statements - The statement of net position 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.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

B. Basis of Presentation - Fund Accounting (Continued)

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

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

C. Fund Accounting

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

TIF fund - The TIF Fund accounts for the financial resources restricted for use in the construction and improvements of various road projects throughout the City.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

C. Fund Accounting (Continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary fund is an agency fund. The City's agency fund includes activity for COBRA extended benefits, electrical inspector fees, inspection deposits, plumbing permits, acreage fees and Christmas tree lot bonds.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

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

E. Basis of Accounting

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

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

CITY OF WHITEHALL
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

E. Basis of Accounting (Continued)

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance 2013 operations, have been recorded as deferred inflows of resources on both the government-wide and fund financial statements. Municipal income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2012, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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

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

CITY OF WHITEHALL
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. For all funds, Council appropriations are made at the fund, department and object level. This is known as the legal level of budgetary control.

Tax Budget - A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted; however, only governmental funds are required to be reported.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2012.

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

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

G. Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "equity in pooled cash and investments".

During 2012, investments were limited to Federal National Mortgage Association (FNMA) securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

The City has invested funds in STAR Ohio during 2012. 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 shares price which is the price the investment could be sold for on December 31, 2012.

At year end, the City had monies on deposit with the Franklin County Treasurer. This deposit relates to undistributed permissive taxes and has been reported on the financial statements as "cash with fiscal and escrow agent".

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2012, interest revenue credited to the general fund amounted to \$43,156 which includes \$23,364 assigned from other City funds.

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

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

I. Capital Assets

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

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

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 - 50 years
Buildings and improvements	20 - 50 years
Equipment	5 - 30 years
Vehicles	3 - 10 years
Infrastructure	25 years

J. Compensated Absences

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

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

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

J. Compensated Absences (Continued)

In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims, bonds, capital leases and lease purchase agreements are recognized as a liability on the government-wide financial statements. Compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

L. Prepayments

Payments made to vendors for services that will benefit beyond December 31, 2012, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". All other outstanding balances between funds are reported as "due to/from other funds". These amounts are eliminated in the governmental column of the statement of net position.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

O. Fund Balance

Fund balance is divided into five classifications 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 classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

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

P. Estimates

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property and the community environment.

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

R. Bond Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On the government-wide financial statements, issuance costs are expensed during the year in which they are incurred.

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt reported on the government-wide financial statements and in the proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position on the government-wide financial statements and in the proprietary funds.

On the governmental-wide financial statements bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.

S. Rental Income

In 2011, the City entered into a lease agreement with Four Seasons Golf Center, LLC for the lease of a City-owned golf facility. The lease is a five year term and calls for regularly scheduled rent payments plus additional rent payments as defined by the agreement. The City recognized \$83,019 in receipts related to this lease in 2012. Activity related to this lease has been included as a component of "rental income" in the financial statements.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2012, no such events took place for the City.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2012, the City has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the City.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the City.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the City's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the City:

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A. Change in Accounting Principles (Continued)

	Governmental Activities
Net assets as previously reported	\$ 35,501,111
Removal of unamortized bond issuance costs	(30,845)
Net position at January 1, 2012	\$ 35,470,266

B. Deficit Fund Balances

Fund balances at December 31, 2012 included the following individual fund deficits:

	Deficit
<u>Nonmajor governmental funds</u>	
FY2011 JAG grant	\$ 1,286
2009 Bulletproof vests grant	3,200

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and the reporting of short-term interfund loans as a liability rather than as an other financing source.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash with Fiscal and Escrow Agent

At year-end, the City had \$126,106 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2012. This amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2012, the carrying amount of all City deposits was \$11,490,978. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2012, \$834,973 of the City's bank balance of \$11,767,657 was exposed to custodial risk as discussed below, while \$10,932,684 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2012, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FNMA	\$ 3,005,815	\$ -	\$ -	\$ -	\$ -	\$ 3,005,815
STAR Ohio	112,453	112,453	-	-	-	-
Total	<u>\$ 3,118,268</u>	<u>\$ 112,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,005,815</u>

The weighted average maturity of investments is 4.40 years.

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

In addition, eligible investments bearing interest rates at a variable rate must have a maturity no greater than two years. The Ohio Revised Code requires repurchase agreements to not exceed 30 days and the market value of securities for repurchase agreements must exceed the principal value by an amount greater than or equal to two percent.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments (Continued)

Credit Risk: The Federal National Mortgage Association Bonds were rated AA+ and Aaa by Standard and Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy limits investments to those authorized by State statute.

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 investments or collateral securities that are in the possession of an outside party. The FNMA securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities.

The following table includes the percentage of each investment type held by the City at December 31, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 3,005,815	96.39
STAR Ohio	<u>112,453</u>	<u>3.61</u>
Total	<u>\$ 3,118,268</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,490,978
Investments	3,118,268
Cash with fiscal and escrow agent	<u>126,106</u>
Total	<u>\$ 14,735,352</u>
<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 13,958,846
Agency funds	<u>776,506</u>
Total	<u>\$ 14,735,352</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 5 - INTERFUNDS

- A. Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

	<u>Amount</u>
<u>Transfers to nonmajor governmental funds from:</u>	
General fund	\$ 2,822,623
<u>Transfers to the general fund from:</u>	
Nonmajor governmental fund	8,811
Total transfers	\$ 2,831,434

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

The \$8,811 transfer from the nonmajor governmental funds to the general fund is a residual equity transfer to close the fiscal year 2010 JAG Grant fund (a nonmajor governmental fund).

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities.

- B. Due from/to other funds consisted of the following at December 31, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental funds	General fund	\$ 1,267

The balance resulted from the time lag between the dates in which payments between the funds are made. Amounts due to/from between governmental funds are eliminated for reporting on the statement of net position.

- C. Interfund loans consisted of the following at December 31, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental funds	Nonmajor governmental funds	\$ 29,990

The interfund loans are expected to be repaid once the anticipated revenues are received by the borrowing funds. Interfund balances between governmental funds are eliminated for reporting on the statement of net position.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Whitehall. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2012 was \$1.50 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2012 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 130,078,230
Commercial/industrial/mineral	96,357,250
<u>Public utility</u>	
Real	96,220
Personal	<u>11,123,140</u>
Total assessed value	<u>\$ 237,654,840</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 7 - LOCAL INCOME TAX

The City levies a municipal income tax of 2.5% on all salaries, wages, commissions and other compensation; on net profits earned within the City; and on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% for any income tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue has been reported as revenue in the general fund to the extent that it was measurable and available to finance current operations at December 31. Income tax revenue for 2012 was \$21,297,923 in the general fund.

NOTE 8 - TAX INCREMENT FINANCING DISTRICTS (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established five TIFs. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as "payments in lieu of taxes (PILOT)", as though the TIF had not been established. These "PILOTS" are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes. PILOT revenue was \$525,600 in 2012 as reported in the fund financial statements. The TIFs have a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT's cease and property taxes then apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2012, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2012.

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

Governmental activities:

Municipal income taxes	\$ 2,209,419
Property and other taxes	420,770
Payment in lieu of taxes	474,676
Accounts	274,236
Special assessments	239,825
Accrued interest	4,290
Due from other governments	<u>773,177</u>
Total	<u>\$ 4,396,393</u>

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

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,936,482	\$ -	\$ -	\$ 1,936,482
Total capital assets, not being depreciated	<u>1,936,482</u>	<u>-</u>	<u>-</u>	<u>1,936,482</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	555,859	99,000	(7,535)	647,324
Buildings and improvements	8,959,329	-	(9,995)	8,949,334
Equipment	2,329,244	38,590	(133,081)	2,234,753
Vehicles	2,852,898	313,249	(174,167)	2,991,980
Infrastructure	<u>28,101,482</u>	<u>1,506,007</u>	<u>-</u>	<u>29,607,489</u>
Total capital assets, being depreciated	<u>42,798,812</u>	<u>1,956,846</u>	<u>(324,778)</u>	<u>44,430,880</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(344,344)	(10,018)	1,356	(353,006)
Buildings and improvements	(4,485,415)	(179,665)	5,747	(4,659,333)
Equipment	(1,549,647)	(142,805)	81,211	(1,611,241)
Vehicles	(2,004,751)	(224,991)	170,497	(2,059,245)
Infrastructure	<u>(12,463,555)</u>	<u>(1,046,537)</u>	<u>-</u>	<u>(13,510,092)</u>
Total accumulated depreciation	<u>(20,847,712)</u>	<u>(1,604,016)</u>	<u>258,811</u>	<u>(22,192,917)</u>
Total capital assets, being depreciated, net	<u>21,951,100</u>	<u>352,830</u>	<u>(65,967)</u>	<u>22,237,963</u>
Governmental activities capital assets, net	<u>\$ 23,887,582</u>	<u>\$ 352,830</u>	<u>\$ (65,967)</u>	<u>\$ 24,174,445</u>

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

<u>Governmental activities:</u>	
General government	\$ 32,980
Security of persons and property	1,158,421
Transportation	86,470
Community environment	584
Leisure time activity	<u>325,561</u>
Total depreciation expense - governmental activities	<u>\$ 1,604,016</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 11 - LESSEE DISCLOSURE

A. Capital Leases

During 2010, the City entered into capital lease agreements for the acquisition of copier equipment. The terms of the lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets consisting of equipment have been capitalized in the amount of \$41,328. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$20,664, leaving a current book value of \$20,664. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in the 2012 totaled \$8,051 and \$2,005, respectively, paid by the technology fund (a nonmajor governmental fund).

During 2012, the City entered into a capital lease agreement for the acquisition of a copier. This lease meets the criteria of a capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets consisting of equipment have been expensed, rather than capitalized, for this lease as the equipment acquired does not exceed the City's threshold for capitalization. The present value of the minimum lease payments at the time of acquisition is \$3,717. A corresponding liability was recorded in the government-wide financial statements. No principal or interest payments were made in 2012. The lease obligation will be retired from the technology fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital lease obligations and the present value of the minimum lease payments as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Equipment</u>
2013	\$ 10,976
2014	11,160
2015	3,617
2016	1,104
2017	<u>184</u>
Total minimum lease payments	27,041
Less: amount representing interest	<u>(2,680)</u>
Present value of future minimum lease payments	<u>\$ 24,361</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 11 - LESSEE DISCLOSURE - (Continued)

B. Lease-Purchase Agreement

During 2007, the City entered into a lease-purchase agreement for the acquisition of a street sweeper. The terms of the lease-purchase agreement provide an option to purchase the vehicle. This lease meets the criteria of a lease-purchase, which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital assets consisting of a vehicle have been capitalized in the amount of \$158,156. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2012 was \$47,448, leaving a current book value of \$110,708. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in 2012 totaled \$28,354 and \$3,055, respectively, which was paid by the street maintenance fund and the fleet reserve and maintenance fund (nonmajor governmental funds).

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Vehicle</u>
2013	\$ 31,409
Total minimum lease payments	31,409
Less: amount representing interest	<u>(1,567)</u>
Present value of future minimum lease payments	<u>\$ 29,842</u>

NOTE 12 - LONG -TERM OBLIGATIONS

A. During 2012, the following activity occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amounts</u>
<u>Governmental activities:</u>	<u>12/31/11</u>	<u></u>	<u></u>	<u>12/31/12</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bond	\$ 1,255,000	\$ -	\$ (195,000)	\$ 1,060,000	\$ 205,000
OPWC loans	161,376	167,829	(9,550)	319,655	13,490
Capital lease obligations	28,695	3,717	(8,051)	24,361	9,358
Lease-purchase agreement	58,196	-	(28,354)	29,842	29,842
Compensated absences	<u>1,739,903</u>	<u>1,233,412</u>	<u>(1,057,262)</u>	<u>1,916,053</u>	<u>1,186,368</u>
Total	<u>\$ 3,243,170</u>	<u>\$ 1,404,958</u>	<u>\$ (1,298,217)</u>	3,349,911	<u>\$ 1,444,058</u>
				Add: unamortized premium on bond issue	<u>3,644</u>
				Total on statement of net position	<u>\$ 3,353,555</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 12 - LONG -TERM OBLIGATIONS - (Continued)

General Obligation Bond

On February 20, 2007, the City issued general obligation refunding bonds (2007 various purpose refunding bonds). These bonds are general obligations of the City, for which its full faith and credit is pledged for repayment. The bonds have an annual interest rate of 4.00% and are scheduled to mature on December 1, 2017. Principal and interest payments are made out of the debt service fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$61,763. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 205,000	\$ 42,000	\$ 247,000
2014	215,000	33,800	248,800
2015	225,000	25,200	250,200
2016	233,000	13,200	246,200
2017	<u>182,000</u>	<u>-</u>	<u>182,000</u>
Total	<u>\$ 1,060,000</u>	<u>\$ 114,200</u>	<u>\$ 1,174,200</u>

Ohio Public Works Commission (OPWC) Loans

OPWC loans were issued during 2010 for the Mayflower Boulevard reconstruction, 2011 for the Country Club Village Roadway Improvements and 2012 for the Rosemore Avenue reconstruction. The loans are interest free and principal payments are made from the debt service fund (a nonmajor governmental fund).

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 12 - LONG -TERM OBLIGATIONS - (Continued)

The following is a summary of the City's future debt service principal and interest requirements for the OPWC loans:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 13,490	\$ -	\$ 13,490
2014	13,490	-	13,490
2015	13,490	-	13,490
2016	13,490	-	13,490
2017	13,490	-	13,490
2018 - 2022	67,450	-	67,450
2023 - 2027	67,450	-	67,450
2028 - 2032	67,449	-	67,449
2033 - 2037	30,147	-	30,147
2038 - 2042	19,709	-	19,709
Total	<u>\$319,655</u>	<u>\$ -</u>	<u>\$ 319,655</u>

Capital lease obligations

See Note 11.A for detail on the City's capital lease obligations. In calculating the amount reported as "net investment in capital assets" on the statement of net position, it should be noted that \$3,717 of the capital lease obligation total of \$24,361 at December 31, 2012 was not used to acquire capital assets and therefore is excluded from the calculation and reported as a component of unrestricted net position.

Lease-Purchase Agreements

See Note 11.B for detail on the City's lease-purchase agreements.

Compensated Absences

Compensated absences are paid primarily from the general fund and the street maintenance and repair fund (a nonmajor governmental fund).

B. Legal Debt Margin

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2012, the City's total debt margin was \$23,896,598 and the unvoted debt margin was \$13,071,016.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2012, the City was insured through Acordia for all property, general liability, auto, public official liability, errors and omissions and law enforcement liability. Real property contents are 90% coinsured.

The City has transferred its risk of loss to the insurance carrier to the extent of the limits shown below:

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	\$11,986,217	\$ 5,000
General liability		
Per occurrence	1,000,000	0
Aggregate	3,000,000	0
Vehicles		
Comprehensive/Collision	1,000,000	1,000
Inland Marine	357,000	500
Law enforcement	1,000,000	10,000
Public management	1,000,000	10,000
Employment practices	1,000,000	10,000

B. Health Insurance

During a prior period, the City established a Risk Management program (within its general fund) to account for and finance its uninsured risks of loss. Under this program, the City provides coverage for up to a maximum of \$70,000 per person per year, to a group claims maximum of \$2,045,464 for 2012. The City purchases commercial insurance for claims in excess of coverage provided by the Plan and for all other risks of loss.

All funds of the City participate in the program. Payments are based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$423,257 at December 31, 2012 and is reported as a committed fund balance in the general fund. The claims liability reported in the general fund at December 31, 2011 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported at the estimated ultimate cost of settling the claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 13 - RISK MANAGEMENT - (Continued)

B. Health Insurance (Continued)

The changes in claims liability during the years ended December 31, 2012 and 2011 are as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2012	\$ 170,397	\$ 2,355,669	\$(2,349,886)	\$ 176,180
2011	153,835	2,111,874	(2,095,312)	170,397

The entire claims liability of \$176,180 will be liquidated using expendable available resources and, therefore, is reported as a liability of the general fund.

C. Workers' Compensation

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Claims have not exceeded coverage limitations in any of the past three years.

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 14 - PENSION PLANS (Continued)

A. Ohio Public Employees Retirement System (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The City's contribution rate for 2012 was 14.00% of covered payroll.

The City's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The City's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$403,908, \$398,940, and \$535,476, respectively; 100% has been contributed for 2012, 2011 and 2010. Contributions to the member-directed plan for 2012 were \$1,279 made by the City and \$914 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to OP&F for police officers and firefighters were \$523,947 and \$586,345 for the year ended December 31, 2012, \$499,712 and \$571,286 for the year ended December 31, 2011, and \$636,506 and \$687,854, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 37.17% has been contributed for police and 76.80% has been contributed for firefighters for 2012. The remaining 2012 pension liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members 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.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

A. Ohio Public Employees Retirement System (Continued)

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code 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 Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

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. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$161,563, \$159,576, and \$305,272, respectively; 100% has been contributed for 2012, 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare 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.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, 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 the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$277,384 and \$229,439 for the year ended December 31, 2012, \$264,554 and \$223,547 for the year ended December 31, 2011, and \$336,974 and \$269,160, for the year ended December 31, 2010. The full amount has been contributed for 2011 and 2010. 37.17% has been contributed for police and 76.80% has been contributed for firefighters for 2012. The remaining 2012 post-employment health care benefits liability has been reported as due to other governments/pension obligation payable on the basic financial statements.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and TIF fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis), rather than cost (budget basis); and,
- (f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>	<u>TIF</u>
Budget basis	\$ (310,302)	\$ 230,719
Net adjustment for revenue accruals	151,420	-
Net adjustment for expenditure accruals	(202,618)	-
Net adjustment for other sources/uses	107,631	-
Funds budgeted elsewhere	(384,151)	-
Adjustment for encumbrances	<u>718,054</u>	<u>-</u>
GAAP basis	<u>\$ 80,034</u>	<u>\$ 230,719</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund, self-funded insurance trust fund, tax incentive program fund, accrued benefits fund and recreation trust fund.

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2012.

B. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 18 - JOINTLY GOVERNED ORGANIZATION

The City is a participant in the Mid-Ohio Regional Planning Commission (MORPC), a jointly governed organization. MORPC is composed of 74 representatives appointed by member governments who make up the Commission, the policy-making body of MORPC, and the oversight board. MORPC is a voluntary association of local governments in central and south central Ohio and a regional planning agency whose membership includes 44 political subdivisions in and around Franklin, Ross, Fayette, Delaware, Pickaway, Madison, Licking, Morrow, Union, Marion, Knox and Fairfield counties, Ohio. The purpose of the organization is to improve the quality of life for member communities by improving housing conditions, to promote and support and facilitate the availability of regional environmental infrastructure program funding to the full advantage of MORPC's members.

NOTE 19 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 586,959
Other governmental	809,170
	<hr/> <u>\$ 1,396,129</u>

**CITY OF WHITEHALL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of 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 balance	General	TIF	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 39,367	\$ -	\$ 81,524	\$ 120,891
Prepays	101,650	-	-	101,650
Unclaimed monies	600	-	-	600
Total nonspendable	141,617	-	81,524	223,141
Restricted:				
Judicial operations	-	-	418,186	418,186
Security programs	-	-	263,125	263,125
Public health service programs	-	-	70,675	70,675
Community development programs	-	-	555,713	555,713
Economic development	-	-	149,868	149,868
Street maintenance	-	1,369,980	327,860	1,697,840
Capital projects	-	-	98,510	98,510
Total restricted	-	1,369,980	1,883,937	3,253,917
Committed:				
Fire department	-	-	847,084	847,084
General government	266,543	-	-	266,543
Insurance contingency	423,257	-	-	423,257
Capital projects	3,469	-	3,308,465	3,311,934
Total committed	693,269	-	4,155,549	4,848,818
Assigned:				
General government	98,593	-	-	98,593
Security programs	224,320	-	-	224,320
Transportation	169	-	-	169
Community development programs	25,768	-	-	25,768
Leisure time activities	17,705	-	-	17,705
Utility services	216,108	-	-	216,108
Capital outlay	14,802	-	-	14,802
Subsequent year appropriations	15,870	-	-	15,870
Debt service	-	-	2,840	2,840
Total assigned	613,335	-	2,840	616,175
Unassigned (deficit)	4,897,501	-	(4,486)	4,893,015
Total fund balances	\$ 6,345,722	\$ 1,369,980	\$ 6,119,364	\$ 13,835,066

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Dave Yost • Auditor of State

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

City of Whitehall
Franklin County
360 S. Yearling Road
Whitehall, Ohio 43213

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 21, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013



Dave Yost • Auditor of State

CITY OF WHITEHALL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 12, 2013**