

CITY OF HEATH, OHIO

Licking County



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

Board of Trustees
City of Heath
1287 Hebron Road
Heath, Ohio 43056

We have reviewed the *Independent Auditors' Report* of the City of Heath, Licking County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 20, 2009

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2008

Prepared by the City Auditor's Department

Mr. Keith B. Alexander
City Auditor



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LICKING COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF HEATH

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

phone (740) 522-1420

fax (740)-522-6324

June 12, 2009

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

The City Auditor is pleased to present this Comprehensive Annual Financial Report for the City of Heath (the City) for the fiscal year ended December 31, 2008. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

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

The Reporting Entity

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

The City of Heath

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

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

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

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

Labor Relations

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

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

CITY OF HEATH, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2008***

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

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

<u>Bargaining Unit</u>	<u>Agreement Expiration Date</u>	<u>Number of Employees Covered</u>
Fraternal Order of Police, Ohio Labor Council (Dispatchers)	March 31, 2011	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2011	16
International Association of Firefighters Local 2930	April 17, 2011	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2011	35

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

ECONOMIC OUTLOOK & MAJOR INITIATIVES

2008 witnessed the loss of Value City, Indian Mound Pontiac, Office Depot, Yoder's Restaurant, Goody's, and W. G. Grinders. But Arvin Meritor sent a strong message of stability by investing large sums in their existing facility. And on the bright side, at least 70 Industrial or technical positions were established at Samuel Manu-Tech and Boeing. The Sherwin-Williams paint distribution center, Leghorn's Restaurant, and Nelson Hyundai Automobile dealership opened. And Gummer Wholesale has announced a major expansion for 2009.

Heath utilities continued the planning for two major initiatives, the first being a 500-thousand gallon water tower that will service the west side. And the wastewater collection system on the east side, particularly in the Grandview Avenue area, saw completed improvements.

Residential growth remained slow. Eleven single-family homes and 8 condo units were constructed.

Plans for 2009 include:

General Administration:	Accounting System Upgrade	\$60,000
Parks and Pool:	Resurface play areas	35,000
	Resurface basketball courts	25,000
	Caulking & new safety drains	20,000
	Paint the pool slides	20,000
	Purchase new ice machine	5,000
	Swimming pool office air conditioning unit	3,000
Police:	Purchase 1 unmarked car and 1 4WD truck	45,000
Street:	Tractor & mower	45,000
	Thermol-Plast striping machine	15,000
Utility:	New Wastewater Master Plan	4,600,000
	500,000 gallon water tower	1,000,000
Zoning:	Hebron Rd. safety improvements	60,000
	Pool to Rec. Center	40,000
	Building HVAC	80,000

***Letter of Transmittal
For the Year Ended December 31, 2008***

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

The City's assets are protected against loss and unauthorized use or disposition; and

Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

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

The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and

1. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and the Auditor's Office.

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

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

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

Risk Management

The City of Heath relied upon an Ohio risk management pool and conventional policies as a method of asset protection and overall risk management. The Ohio Plan Pool is the present primary carrier for the provision of underlying bodily injury, personal injury, property damage, automotive, and general liability coverage. Supplemental protection includes professional liability, honesty bonding and a comprehensive liability policy overlying most of the basic policies.

The City of Heath is committed to promoting and supporting a safe work environment for all City of Heath employees. The City of Heath's commitment to safety is further supported by the selection of a "Safety Employee of the Year" from the rank and file employees. The award is for commitment to safety, promotion of safety and support of the city safety programs.

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

Health Insurance

The City Council authorized a partially self-funded medical coverage program for City employees in 1993. The program is administered by Professional Claims Management of Canton, Ohio. The program provides that the City pay medical expenses of eligible employees and dependents in excess of established deductibles and/or co-pay amounts for agreed upon services and supplies during the calendar year. The City maintains a stop loss of \$35,000 per person per year with a \$2,000,000 lifetime per person maximum. Pre-existing conditions do apply to all new employees and co-pays apply for in-network and deductibles for out-of-network services. Utilization and peer review are contracted through the third party administrator.

Workers' Compensation

The City of Heath utilizes Gates McDonald as the city's group Worker's Comp administrator. The pool groups similar municipal employers to gain a greater discount in worker's compensation premiums for City employees. Section 4123.29 of the Ohio Revised Code, and the rules promulgated there under, permit the establishment of the employer group-rating plan. Said plans pool and group the experience (payroll amounts and claims losses) of the participating employers in order to create a lower worker's compensation premium rate.

The Pool will accept member municipalities in good standing for participation if their claim losses are less than the Bureau's expected losses determined at the group level. No municipality is invited to participate whose claim losses are projected to exceed the Bureau's expected loss level for the effective date of the group rating year and/or the year after. Each participant must qualify annually to continue to be a group member. Unfortunately, in 2008, the City of Heath failed to qualify for preferred group rates. It is expected in 2009 for Heath to resume preferred group ratings.

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2007. The City has received this award each year since 1994. The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 through 2007. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

Public Disclosure

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

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

***Letter of Transmittal
For the Year Ended December 31, 2008***

Acknowledgments

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

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

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

Respectfully,



Keith B. Alexander
City Auditor

CITY OF HEATH, OHIO

**List of Principal Officials
For the Year Ended December 31, 2008**

<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>	<i>SURETY</i>
Richard J. Waugh	Mayor	01/012010	
Keith B. Alexander	Auditor	03/31/2012	B
Jeffrey Crabill	Council Member - Ward 3	01/012010	
	Council President		
Chris May	Council Member at Large	01/012012	
	President-Pro-Tem		
Dr. Ronald Krueger	Council Member at Large	01/012012	
James W. Watercutter	Council Member - Ward 1	01/012010	
Richard Morrow	Council Member - Ward 2	01/012010	
Cledys Henry	Council Member at Large	01/012012	
Tim Kelley	Council Member at Large	01/012012	

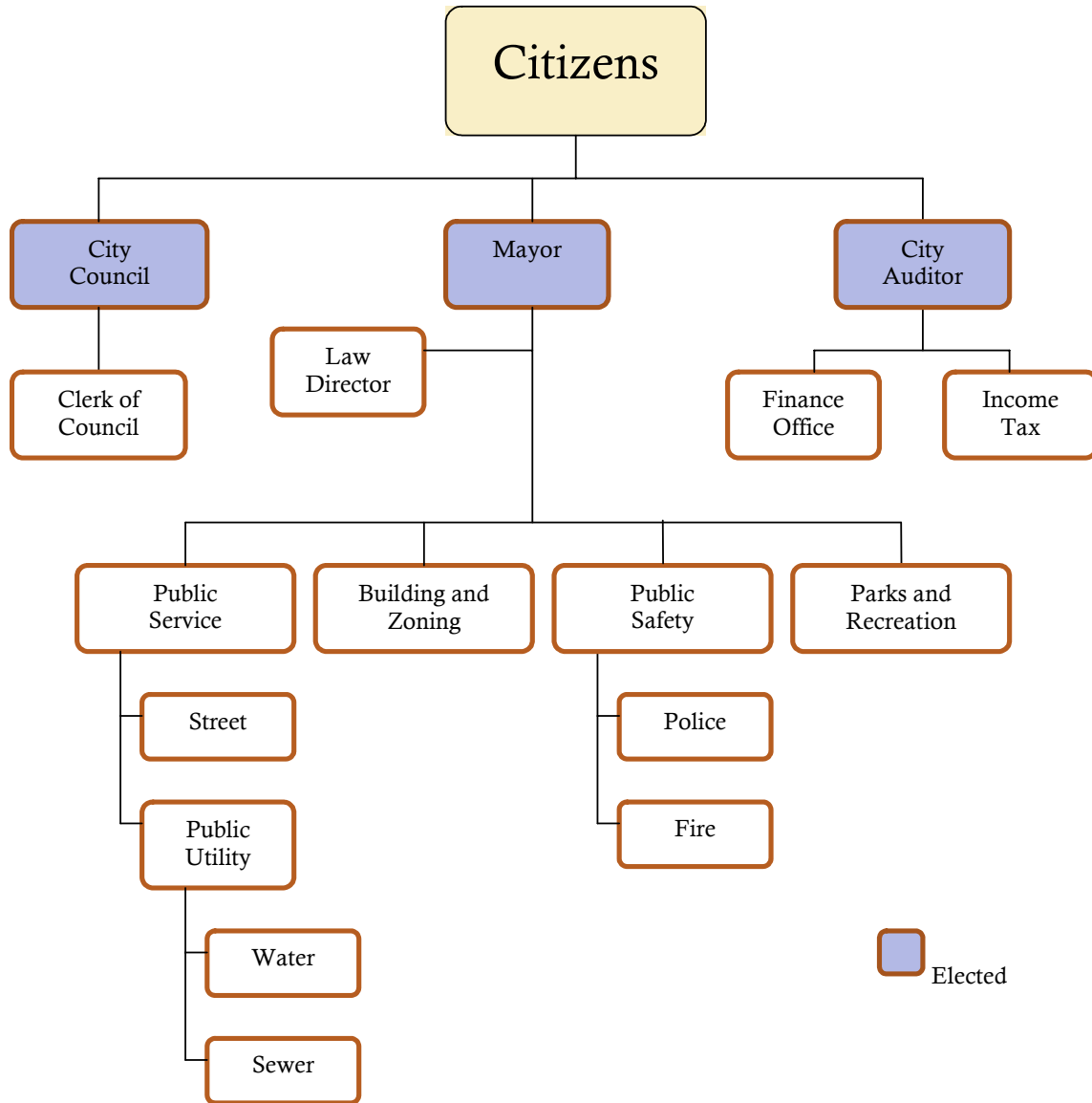
<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>	<i>SURETY</i>
Anne Gilbert	Income Tax Commissioner	Indefinite	A
Anthony Shepherd	Police Chief	Indefinite	
John R. Mason	Police Lieutenant	Indefinite	
Mark Huggins	Fire Chief	Indefinite	
John Geller	Utilities Director	Indefinite	
Robert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

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

City Address:

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

**City Organizational Chart
For the Year Ended December 31, 2008**



Boards and Commissions

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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Heath
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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



President

Executive Director

FINANCIAL SECTION



WOLFE, WILSON, & PHILLIPS, INC.
CERTIFIED PUBLIC ACCOUNTANTS
37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701
(740) 453-9600 • FAX - (740) 453-9763
www.wwpcpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Heath as of and for the year ended December 31, 2008, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Fire Levy Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2009, on our consideration of the City of Heath's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Heath's basic financial statements. The Introductory Section, Combining Statements, Individual Fund Schedules and Statistical Section provide additional information and are not a required part of the basic financial statements. We subjected the Combining Statements and Individual Fund Schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the Introductory Section or Statistical Section to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wolfe, Watson, & Phelps, Inc.

Zanesville, Ohio
June 12, 2009

The discussion and analysis of the City of Heath's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 are as follows:

In total, net assets decreased \$709,113. Net assets of governmental activities decreased \$1,261,249 which represents a 4.1% decrease from 2007. Net assets of business-type activities increased \$552,136 or 3.7% from 2007.

General revenues accounted for \$7.8 million in revenue or 57.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 42.1% of total revenues of \$13.5 million.

The City had \$10.7 million in expenses related to governmental activities; \$1.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$7.7 million assisted in providing for these programs.

Among major funds, the general fund had \$6.6 million in revenues and other financing sources and \$7.4 million in expenditures and other financing uses. The general fund's fund balance decreased \$778,414 to \$2.9 million.

Net assets for enterprise funds increased by \$557,114. Current year activity varied very little from last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets between December 31, 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$9,590,381	\$9,779,955	\$4,390,858	\$4,004,933	\$13,981,239	\$13,784,888
Capital assets, Net	26,973,158	28,130,364	17,694,939	18,344,752	44,668,097	46,475,116
Total assets	36,563,539	37,910,319	22,085,797	22,349,685	58,649,336	60,260,004
Long-term debt outstanding	4,987,721	5,255,276	6,277,145	7,104,157	11,264,866	12,359,433
Other liabilities	2,125,994	1,943,970	301,488	290,500	2,427,482	2,234,470
Total liabilities	7,113,715	7,199,246	6,578,633	7,394,657	13,692,348	14,593,903
Net assets						
Invested in capital assets, net of related debt	22,695,332	23,589,938	11,540,222	11,369,769	34,235,554	34,959,707
Restricted	4,153,096	3,693,753	0	0	4,153,096	3,693,753
Unrestricted	2,601,396	3,427,382	3,966,942	3,585,259	6,568,338	7,012,641
Total net assets	\$29,449,824	\$30,711,073	\$15,507,164	\$14,955,028	\$44,956,988	\$45,666,101

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2008 and 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for Services and Sales	\$1,103,604	\$1,174,091	\$3,824,651	\$3,750,612	\$4,928,255	\$4,924,703
Operating Grants and Contributions	593,995	641,109	0	0	593,995	641,109
Capital Grants and Contributions	24,050	5,408,548	124,099	74,101	148,149	5,482,649
Total Program Revenues	<u>1,721,649</u>	<u>7,223,748</u>	<u>3,948,750</u>	<u>3,824,713</u>	<u>5,670,399</u>	<u>11,048,461</u>
General revenues:						
Property Taxes	1,201,564	1,328,913	0	0	1,201,564	1,328,913
Income Taxes	5,144,879	5,117,840	0	0	5,144,879	5,117,840
Other Local Taxes	12,203	12,834	0	0	12,203	12,834
Intergovernmental Revenue, Unrestricted	945,401	845,213	0	0	945,401	845,213
Investment Earnings	339,715	545,309	94,826	42,997	434,541	588,306
Miscellaneous	57,959	41,546	0	0	57,959	41,546
Total General Revenues	<u>7,701,721</u>	<u>7,891,655</u>	<u>94,826</u>	<u>42,997</u>	<u>7,796,547</u>	<u>7,934,652</u>
Total Revenues	<u>9,423,370</u>	<u>15,115,403</u>	<u>4,043,576</u>	<u>3,867,710</u>	<u>13,466,946</u>	<u>18,983,113</u>
Program Expenses:						
Security of Persons and Property	5,033,962	4,412,475	0	0	5,033,962	4,412,475
Public Health and Welfare Services	55,500	55,000	0	0	55,500	55,000
Leisure Time Activities	1,553,376	1,165,587	0	0	1,553,376	1,165,587
Community Environment	248,044	116,430	0	0	248,044	116,430
Basic Utility Services	12,585	48,759	0	0	12,585	48,759
Transportation	1,716,140	1,611,106	0	0	1,716,140	1,611,106
General Government	1,862,217	1,480,358	0	0	1,862,217	1,480,358
Interest and Fiscal Charges	201,466	211,364	0	0	201,466	211,364
Business Type Activities:						
Water	0	0	1,499,924	1,572,649	1,499,924	1,572,649
Sewer	0	0	1,992,845	1,994,356	1,992,845	1,994,356
Total expenses	<u>10,683,290</u>	<u>9,101,079</u>	<u>3,492,769</u>	<u>3,567,005</u>	<u>14,176,059</u>	<u>12,668,084</u>
Change in Net Assets before transfers	(1,259,920)	6,014,324	550,807	300,705	(709,113)	6,315,029
Transfers	(1,329)	215,450	1,329	(215,450)	0	0
Total Change in Net Assets	(1,261,249)	6,229,774	552,136	85,255	(709,113)	6,315,029
Beginning Net Assets	<u>30,711,073</u>	<u>24,481,299</u>	<u>14,955,028</u>	<u>14,869,773</u>	<u>45,666,101</u>	<u>39,351,072</u>
Ending Net Assets	<u>\$29,449,824</u>	<u>\$30,711,073</u>	<u>\$15,507,164</u>	<u>\$14,955,028</u>	<u>\$44,956,988</u>	<u>\$45,666,101</u>

Governmental Activities

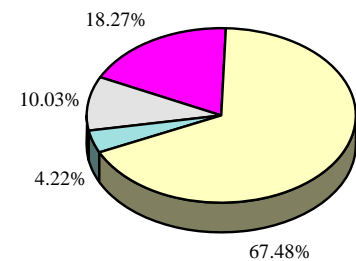
Net assets of the City's governmental activities decreased by \$1,261,249. The primary cause of the decrease is due to the completion of the County Rd. 000 project, administered by the Ohio Department of Transportation (ODOT). The project included relocation of a bridge and rail line paid for by the Federal Government (i.e. donated infrastructure assets).

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

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

Property taxes and income taxes made up 12.75% and 54.6% respectively of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 67.48% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
Intergovernmental Revenue, Unrestricted	\$945,401	10.03%
Program Revenues	1,721,649	18.27%
General Tax Revenues	6,358,646	67.48%
General Other	397,674	4.22%
Total Revenue	\$9,423,370	100.00%



Business-Type Activities

Net assets of the business-type activities increased by \$552,136. The 3.7% increase in net assets reflects the fact that operating results from the business-type activities were consistent with 2007 operations. Very little changed in the day-to-day operations of the Water and Sewer activities.

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$7,024,699, which is a decrease from last year's balance of \$7,257,815. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2008 and 2007:

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase (Decrease)
General	\$2,931,215	\$3,709,629	(\$778,414)
Fire Levy	348,034	260,218	87,816
Capital Improvement Fund	2,397,965	2,048,733	349,232
Other Governmental	1,347,485	1,239,235	108,250
Total	<u>\$7,024,699</u>	<u>\$7,257,815</u>	<u>(\$233,116)</u>

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

	2008 Revenues	2007 Revenues	Increase (Decrease)
Taxes	\$4,884,864	\$5,108,653	(\$223,789)
Intergovernmental Revenue	806,792	681,786	125,006
Charges for Services	456,150	419,408	36,742
Licenses and Permits	29,849	59,600	(29,751)
Investment Earnings	338,710	585,800	(247,090)
Fines and Forfeitures	15,982	20,956	(4,974)
All Other Revenue	57,959	41,546	16,413
Total	<u>\$6,590,306</u>	<u>\$6,917,749</u>	<u>(\$327,443)</u>

General Fund revenues in 2008 decreased approximately 4.7% compared to revenues in fiscal year 2007. The most significant factor contributing to this decrease was decreased investment earnings resulting from lower invested balances. Income taxes also took a hit due to the overall downturn in the economy.

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

	2008 Expenditures	2007 Expenditures	Increase (Decrease)
Security of Persons and Property	\$3,467,304	\$3,470,346	(\$3,042)
Public Health and Welfare Services	55,500	55,000	500
Leisure Time Activities	824,665	756,188	68,477
Community Environment	257,489	286,914	(29,425)
General Government	1,492,283	1,415,187	77,096
Debt Service:			
Principal Retirement	0	2,196	(2,196)
Interest and Fiscal Charges	0	78	(78)
Total	\$6,097,241	\$5,985,909	\$111,332

General Fund expenditures increased by \$111,332 or 1.86% over the prior year due primarily to higher departmental charges needed to cover increased self-insurance claims.

Fire Levy Fund – The balance of this fund increased by \$87,816 or 33.7% over the prior year, as no large equipment was purchased in 2008.

Capital Improvement Fund – The balance in this fund can fluctuate by 50% or more in a given year because this fund is utilized to account for the majority of the City's capital improvements. The level of funding and expenditures vary depending on the City's capital plans for the given year. During 2008, the fund balance increased by 17% due primarily to a General Fund transfer of \$750,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2008, the City amended its General Fund budget several times. The increase in the final budgeted appropriations of \$1,028,093 and the positive variance with the final budget of \$741,112 was the result of carefully watchful spending.

For the General Fund, final budget basis revenue of \$6,401,793 decreased by \$286,537 under the original budget estimates of \$6,688,330 primarily as a result of decreased tax revenue and interest collections.

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the City had \$44,668,097 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$26,973,158 was related to governmental activities and \$17,694,939 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$9,341,222	\$9,341,222	\$0
Construction in Progress	482,672	639,481	(156,809)
Total Non-Depreciable Capital Assets	9,823,894	9,980,703	(156,809)
Buildings	4,880,336	4,818,598	61,738
Improvements Other Than Buildings	3,503,993	3,503,993	0
Machinery and Equipment	6,445,431	6,781,795	(336,364)
Infrastructure	17,937,439	17,654,164	283,275
Less: Accumulated Depreciation	(15,617,935)	(14,608,889)	(1,009,046)
Total Depreciable Capital Assets	17,149,264	18,149,661	(1,000,397)
Totals	\$26,973,158	\$28,130,364	(\$1,157,206)

	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$397,374	\$397,374	\$0
Construction in Progress	31,762	262,312	(230,550)
Total Non-Depreciable Capital Assets	429,136	659,686	(230,550)
Buildings	12,715,457	12,715,457	0
Improvements Other Than Buildings	1,515,418	1,515,418	0
Machinery and Equipment	5,358,405	5,047,449	310,956
Infrastructure	15,067,320	14,962,368	104,952
Less: Accumulated Depreciation	(17,390,797)	(16,555,626)	(835,171)
Total Depreciable Capital Assets	17,265,803	17,685,066	(419,263)
Totals	\$17,694,939	\$18,344,752	(\$649,813)

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

The largest increases in governmental activities capital assets occurred in infrastructure. The primary cause of the increase is due to the completion of the County Rd. 000 project, administered by the Ohio Department of Transportation (ODOT). The project included relocation of a bridge and rail line paid for by the Federal Government.

As of December 31, 2008, the City has contractual commitments of \$360,436 for various projects. Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2008, the City had \$6.26 million in bonds outstanding, \$415,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General Obligation Bonds	\$4,235,000	\$4,480,000
Capital Leases	42,826	60,426
Compensated Absences	709,895	714,850
Total Governmental Activities	<u>4,987,721</u>	<u>5,255,276</u>
Business-Type Activities:		
General Obligation Bonds	2,025,000	2,180,000
OWDA Loans	4,129,717	4,794,983
Compensated Absences	122,428	129,174
Total Business-Type Activities	<u>6,277,145</u>	<u>7,104,157</u>
Totals	<u>\$11,264,866</u>	<u>\$12,359,433</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Heath lies, is limited to ten mills. At December 31, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

Income tax collections for 2008 were down slightly from 2007.

General Fund expenditures were budgeted at 5% less than 2008 actual expenditures. In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated. Also affecting the General Fund and budget are the ever increasing costs associated with employee pay raises, and upwardly spiraling health insurance costs.

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

REQUESTS FOR INFORMATION

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

CITY OF HEATH, OHIO**Statement of Net Assets
December 31, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and Cash Equivalents	\$ 2,687,158	\$ 1,454,629	\$ 4,141,787
Investments	4,104,488	2,420,395	6,524,883
Receivables:			
Taxes	1,933,131	0	1,933,131
Accounts	7,706	427,587	435,293
Intergovernmental	559,618	0	559,618
Internal Balances	15,507	(15,507)	0
Inventory of Supplies at Cost	177,050	63,444	240,494
Prepaid Items	75,055	40,310	115,365
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	30,668	0	30,668
Non-Depreciable Capital Assets	9,823,894	429,136	10,253,030
Depreciable Capital Assets, Net	17,149,264	17,265,803	34,415,067
Total Assets	<u>36,563,539</u>	<u>22,085,797</u>	<u>58,649,336</u>
Liabilities:			
Accounts Payable	120,909	125,515	246,424
Accrued Wages and Benefits Payable	604,775	80,332	685,107
Intergovernmental Payable	1,506	0	1,506
Claims Payable	91,697	0	91,697
Unearned Revenue	1,289,961	0	1,289,961
Accrued Interest Payable	17,146	95,641	112,787
Noncurrent liabilities:			
Due within one year	351,269	756,097	1,107,366
Due in more than one year	4,636,452	5,521,048	10,157,500
Total Liabilities	<u>7,113,715</u>	<u>6,578,633</u>	<u>13,692,348</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	22,695,332	11,540,222	34,235,554
Restricted For:			
Capital Projects	2,873,538	0	2,873,538
Debt Service	174,626	0	174,626
Other Purposes	1,104,932	0	1,104,932
Unrestricted	2,601,396	3,966,942	6,568,338
Total Net Assets	<u>\$ 29,449,824</u>	<u>\$ 15,507,164</u>	<u>\$ 44,956,988</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2008**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 5,033,962	\$ 427,535	\$ 0	\$ 2,900
Public Health and Welfare Services	55,500	0	0	0
Leisure Time Activities	1,553,376	637,733	0	516
Community Environment	248,044	22,902	0	0
Basic Utility Services	12,585	107	0	64
Transportation	1,716,140	6,377	593,995	20,055
General Government	1,862,217	8,950	0	515
Interest and Fiscal Charges	201,466	0	0	0
Total Governmental Activities	10,683,290	1,103,604	593,995	24,050
Business-Type Activities:				
Water	1,499,924	1,505,580	0	0
Sewer	1,992,845	2,319,071	0	124,099
Total Business-Type Activities	3,492,769	3,824,651	0	124,099
Totals	\$ 14,176,059	\$ 4,928,255	\$ 593,995	\$ 148,149

General Revenues:

Property Taxes
Municipal Income Taxes
Other Local Taxes
Intergovernmental Revenues, Unrestricted
Investment Earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,603,527)	\$ 0	\$ (4,603,527)
(55,500)	0	(55,500)
(915,127)	0	(915,127)
(225,142)	0	(225,142)
(12,414)	0	(12,414)
(1,095,713)	0	(1,095,713)
(1,852,752)	0	(1,852,752)
(201,466)	0	(201,466)
<u>(8,961,641)</u>	<u>0</u>	<u>(8,961,641)</u>
0	5,656	5,656
0	450,325	450,325
<u>0</u>	<u>455,981</u>	<u>455,981</u>
<u>(8,961,641)</u>	<u>455,981</u>	<u>(8,505,660)</u>
1,201,564	0	1,201,564
5,144,879	0	5,144,879
12,203	0	12,203
945,401	0	945,401
339,715	94,826	434,541
57,959	0	57,959
(1,329)	1,329	0
<u>7,700,392</u>	<u>96,155</u>	<u>7,796,547</u>
(1,261,249)	552,136	(709,113)
<u>30,711,073</u>	<u>14,955,028</u>	<u>45,666,101</u>
<u>\$ 29,449,824</u>	<u>\$ 15,507,164</u>	<u>\$ 44,956,988</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2008**

	<u>General</u>	<u>Fire Levy</u>	<u>Capital Improvement</u>
Assets:			
Cash and Cash Equivalents	\$ 491,595	\$ 413,302	\$ 451,724
Investments	2,183,968	0	1,920,520
Receivables:			
Taxes	1,139,093	538,361	60,898
Accounts	7,706	0	0
Intergovernmental	244,971	21,970	0
Inventory of Supplies, at Cost	93,186	0	0
Prepaid Items	64,201	521	0
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Total Assets	<u>\$ 4,224,720</u>	<u>\$ 974,154</u>	<u>\$ 2,433,142</u>
Liabilities:			
Accounts Payable	\$ 83,911	\$ 1,904	\$ 26,423
Accrued Wages and Benefits Payable	355,596	64,640	0
Intergovernmental Payable	1,506	0	0
Deferred Revenue	818,093	559,576	8,754
Compensated Absences Payable	34,399	0	0
Total Liabilities	<u>1,293,505</u>	<u>626,120</u>	<u>35,177</u>
Fund Balances:			
Reserved for Encumbrances	72,049	14,054	220,574
Reserved for Prepaid Items	64,201	521	0
Reserved for Supplies Inventory	93,186	0	0
Reserved for Debt Service	0	0	0
Undesignated, Unreserved in:			
General Fund	2,701,779	0	0
Special Revenue Funds	0	333,459	0
Capital Projects Funds	0	0	2,177,391
Permanent Fund	0	0	0
Total Fund Balances	<u>2,931,215</u>	<u>348,034</u>	<u>2,397,965</u>
Total Liabilities and Fund Balances	<u>\$ 4,224,720</u>	<u>\$ 974,154</u>	<u>\$ 2,433,142</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,323,260	\$ 2,679,881
0	4,104,488
194,779	1,933,131
0	7,706
292,677	559,618
83,864	177,050
10,333	75,055
<u>30,668</u>	<u>30,668</u>
<u>\$ 1,935,581</u>	<u>\$ 9,567,597</u>
\$ 8,671	\$ 120,909
184,539	604,775
0	1,506
394,886	1,781,309
<u>0</u>	<u>34,399</u>
<u>588,096</u>	<u>2,542,898</u>
2,881	309,558
10,333	75,055
83,864	177,050
187,176	187,176
0	2,701,779
496,173	829,632
475,573	2,652,964
<u>91,485</u>	<u>91,485</u>
<u>1,347,485</u>	<u>7,024,699</u>
<u>\$ 1,935,581</u>	<u>\$ 9,567,597</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2008***

Total Governmental Fund Balances \$ 7,024,699

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

Capital Assets used in governmental activities are not resources and
therefore are not reported in the funds. 26,973,158

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 491,348

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds. (4,970,468)

The Internal Service Fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service funds is included in governmental activities in the statement of
net assets. This is the balance that is recorded in the governmental
activities. (68,913)

Net Assets of Governmental Funds \$ 29,449,824

See accompanying notes to the basic financial statements



CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008**

	General	Fire Levy	Capital Improvement
Revenues:			
Taxes	\$ 4,884,864	\$ 513,093	\$ 543,838
Intergovernmental Revenues	806,792	123,860	6,444
Charges for Services	456,150	0	0
Licenses and Permits	29,849	0	0
Investment Earnings	338,710	7,311	0
Fines and Forfeitures	15,982	0	0
All Other Revenue	57,959	5,046	10,750
Total Revenue	6,590,306	649,310	561,032
Expenditures:			
Current:			
Security of Persons and Property	3,467,304	561,494	428,026
Public Health and Welfare Services	55,500	0	0
Leisure Time Activities	824,665	0	78,146
Community Environment	257,489	0	0
Basic Utility Services	0	0	12,585
Transportation	0	0	360,722
General Government	1,492,283	0	76,231
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	6,097,241	561,494	955,710
Excess (Deficiency) of Revenues Over Expenditures	493,065	87,816	(394,678)
Other Financing Sources (Uses):			
Transfers In	2,570	0	750,000
Transfers Out	(1,272,500)	0	(6,090)
Total Other Financing Sources (Uses)	(1,269,930)	0	743,910
Net Change in Fund Balance	(776,865)	87,816	349,232
Fund Balances at Beginning of Year	3,709,629	260,218	2,048,733
Increase (Decrease) in Inventory Reserve	(1,549)	0	0
Fund Balances End of Year	\$ 2,931,215	\$ 348,034	\$ 2,397,965

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 430,690	\$ 6,372,485
753,389	1,690,485
529,397	985,547
0	29,849
2,769	348,790
35,172	51,154
21,258	95,013
<u>1,772,675</u>	<u>9,573,323</u>
439,042	4,895,866
0	55,500
413,867	1,316,678
0	257,489
0	12,585
898,482	1,259,204
0	1,568,514
262,600	262,600
202,775	202,775
<u>2,216,766</u>	<u>9,831,211</u>
(444,091)	(257,888)
568,679	1,321,249
(43,988)	(1,322,578)
<u>524,691</u>	<u>(1,329)</u>
80,600	(259,217)
1,239,235	7,257,815
27,650	26,101
<u>\$ 1,347,485</u>	<u>\$ 7,024,699</u>

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2008***

Net Change in Fund Balances - Total Governmental Funds \$ (259,217)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay. (893,168)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (264,038)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (149,953)

The repayment of principal of long-term debt consumes current financial resources of governmental funds, however it does not have any effect on net assets. 262,600

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,309

Some expenses reported in the statement of activities, such as change in inventory and compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 65,455

The Internal Service Fund is used to charge the cost of services (e.g. insurance) to individual funds and is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities. (24,237)

Change in Net Assets of Governmental Activities \$ (1,261,249)

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,043,682	\$ 4,957,181	\$ 4,896,530	\$ (60,651)
Intergovernmental Revenue	578,748	578,748	782,519	203,771
Charges for Services	438,850	438,814	456,150	17,336
Licenses and Permits	27,450	27,450	29,849	2,399
Investment Earnings	475,000	275,000	285,268	10,268
Fines and Forfeitures	17,000	17,000	17,285	285
All Other Revenues	29,010	29,010	57,959	28,949
Total Revenues	<u>6,609,740</u>	<u>6,323,203</u>	<u>6,525,560</u>	<u>202,357</u>
Expenditures:				
Current:				
Security of Persons and Property	3,501,407	3,632,305	3,332,648	299,657
Public Health and Welfare Services	55,500	55,500	55,500	0
Leisure Time Activities	884,345	906,510	830,100	76,410
Community Environment	299,023	326,513	286,644	39,869
General Government	1,487,823	1,581,363	1,461,114	120,249
Total Expenditures	<u>6,228,098</u>	<u>6,502,191</u>	<u>5,966,006</u>	<u>536,185</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	381,642	(178,988)	559,554	738,542
Other Financing Sources (Uses):				
Transfers In	0	0	2,570	2,570
Transfers Out	(518,500)	(1,272,500)	(1,272,500)	0
Advances In	78,590	78,590	78,590	0
Total Other Financing Sources (Uses):	<u>(439,910)</u>	<u>(1,193,910)</u>	<u>(1,191,340)</u>	<u>2,570</u>
Net Change in Fund Balance	(58,268)	(1,372,898)	(631,786)	741,112
Fund Balance at Beginning of Year	3,080,521	3,080,521	3,080,521	0
Prior Year Encumbrances	32,210	32,210	32,210	0
Fund Balance at End of Year	<u>\$ 3,054,463</u>	<u>\$ 1,739,833</u>	<u>\$ 2,480,945</u>	<u>\$ 741,112</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 518,840	\$ 518,841	\$ 513,093	\$ (5,748)
Intergovernmental Revenue	114,507	114,508	123,105	8,597
Investment Earnings	7,634	7,634	7,311	(323)
All Other Revenues	0	0	128	128
Total Revenues	<u>640,981</u>	<u>640,983</u>	<u>643,637</u>	<u>2,654</u>
Expenditures:				
Current:				
Security of Persons and Property	559,128	580,353	553,546	26,807
Total Expenditures	<u>559,128</u>	<u>580,353</u>	<u>553,546</u>	<u>26,807</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,853	60,630	90,091	29,461
Other Financing Sources (Uses):				
Sale of Capital Assets	0	3,566	4,918	1,352
Total Other Financing Sources (Uses):	<u>0</u>	<u>3,566</u>	<u>4,918</u>	<u>1,352</u>
Net Change in Fund Balance	81,853	64,196	95,009	30,813
Fund Balance at Beginning of Year	294,224	294,224	294,224	0
Prior Year Encumbrances	8,119	8,119	8,119	0
Fund Balance at End of Year	<u>\$ 384,196</u>	<u>\$ 366,539</u>	<u>\$ 397,352</u>	<u>\$ 30,813</u>

See accompanying notes to the basic financial statements



CITY OF HEATH, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2008**

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Water	Sewer	Total	Internal Service Fund
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 881,760	\$ 572,869	\$ 1,454,629	\$ 7,277
Investments	0	2,420,395	2,420,395	0
Receivables:				
Accounts	165,297	262,290	427,587	0
Inventory of Supplies at Cost	45,703	17,741	63,444	0
Prepaid Items	17,824	22,486	40,310	0
Total current assets	<u>1,110,584</u>	<u>3,295,781</u>	<u>4,406,365</u>	<u>7,277</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	318,012	111,124	429,136	0
Depreciable Capital Assets, Net	<u>8,674,568</u>	<u>8,591,235</u>	<u>17,265,803</u>	<u>0</u>
Total noncurrent assets	<u>8,992,580</u>	<u>8,702,359</u>	<u>17,694,939</u>	<u>0</u>
Total Assets	<u>10,103,164</u>	<u>11,998,140</u>	<u>22,101,304</u>	<u>7,277</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	28,519	96,996	125,515	0
Accrued Wages and Benefits Payable	38,860	41,472	80,332	0
Claims Payable	0	0	0	91,697
Accrued Interest Payable	7,903	87,738	95,641	0
General Obligation Bonds Payable - Current	160,000	0	160,000	0
OWDA Loans Payable - Current	0	581,168	581,168	0
Compensated Absences Payable - Current	7,085	7,844	14,929	0
Total current liabilities	<u>242,367</u>	<u>815,218</u>	<u>1,057,585</u>	<u>91,697</u>
Noncurrent liabilities:				
General Obligation Bonds Payable	1,865,000	0	1,865,000	0
OWDA Loans Payable	0	3,548,549	3,548,549	0
Compensated Absences Payable	<u>39,050</u>	<u>68,449</u>	<u>107,499</u>	<u>0</u>
Total noncurrent liabilities	<u>1,904,050</u>	<u>3,616,998</u>	<u>5,521,048</u>	<u>0</u>
Total Liabilities	<u>2,146,417</u>	<u>4,432,216</u>	<u>6,578,633</u>	<u>91,697</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	6,967,580	4,572,642	11,540,222	0
Unrestricted	<u>989,167</u>	<u>2,993,282</u>	<u>3,982,449</u>	<u>(84,420)</u>
Total net assets	<u>\$ 7,956,747</u>	<u>\$ 7,565,924</u>	<u>15,522,671</u>	<u>\$ (84,420)</u>
Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.			<u>(15,507)</u>	
Net Assets of Business-type Activities			<u>\$ 15,507,164</u>	

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008**

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Water	Sewer	Total	Internal Service Fund
Operating Revenues:				
Charges for Services	\$ 1,505,243	\$ 2,294,964	\$ 3,800,207	\$ 680,000
Other Operating Revenue	337	24,107	24,444	129,351
Total Operating Revenues	<u>1,505,580</u>	<u>2,319,071</u>	<u>3,824,651</u>	<u>809,351</u>
Operating Expenses:				
Personal Services	480,185	555,801	1,035,986	0
Contractual Services	322,080	705,564	1,027,644	0
Materials and Supplies	175,570	75,889	251,459	0
Health Claims Expense	0	0	0	838,566
Depreciation	351,098	467,974	819,072	0
Total Operating Expenses	<u>1,328,933</u>	<u>1,805,228</u>	<u>3,134,161</u>	<u>838,566</u>
Operating Income (Loss)	176,647	513,843	690,490	(29,215)
Non-operating Revenue (Expenses):				
Intergovernmental Revenues	0	82,107	82,107	0
Investment Earnings	0	94,826	94,826	0
Interest and Fiscal Charges	(101,084)	(185,167)	(286,251)	0
Loss on Disposal of Capital Assets	(67,379)	0	(67,379)	0
Total Non-operating Revenues (Expenses)	<u>(168,463)</u>	<u>(8,234)</u>	<u>(176,697)</u>	<u>0</u>
Income (Loss) Before Transfers and Contributions	8,184	505,609	513,793	(29,215)
Capital Contributions	0	41,992	41,992	0
Transfers In	1,329	0	1,329	0
Change in Net Assets	9,513	547,601	557,114	(29,215)
Net Assets Beginning of Year	<u>7,947,234</u>	<u>7,018,323</u>	<u>14,965,557</u>	<u>(55,205)</u>
Net Assets End of Year	<u>\$ 7,956,747</u>	<u>\$ 7,565,924</u>	<u>15,522,671</u>	<u>\$ (84,420)</u>
			Change in Net Assets - Total Enterprise Funds	557,114
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(4,978)
			Change in Net Assets - Business-type Activities	<u>\$ 552,136</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,522,533	\$2,330,494	\$3,853,027	\$680,000
Cash Payments for Goods and Services	(502,774)	(781,819)	(1,284,593)	(839,631)
Cash Payments to Employees	(508,005)	(494,150)	(1,002,155)	0
Other Operating Cash Receipts	337	24,107	24,444	129,351
Net Cash Provided (Used) by Operating Activities	512,091	1,078,632	1,590,723	(30,280)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Advance Out to Other Funds	(78,590)	0	(78,590)	0
Transfers In from Other Funds	1,329	0	1,329	0
Net Cash Used by Noncapital Financing Activities	(77,261)	0	(77,261)	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(155,000)	0	(155,000)	0
Intergovernmental Grants	0	82,107	82,107	0
Acquisition and Construction of Assets	(71,835)	(144,445)	(216,280)	0
Principal Paid on Ohio Water Development Authority Loans	0	(665,266)	(665,266)	0
Interest Paid on All Debt	(101,652)	(201,104)	(302,756)	0
Net Cash Used for Capital and Related Financing Activities	(328,487)	(928,708)	(1,257,195)	0
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	0	(1,241,784)	(1,241,784)	0
Receipts of Interest	0	50,328	50,328	0
Net Cash Used by Investing Activities	0	(1,191,456)	(1,191,456)	0
Net Increase (Decrease) in Cash and Cash Equivalents	106,343	(1,041,532)	(935,189)	(30,280)
Cash and Cash Equivalents at Beginning of Year	775,417	1,614,401	2,389,818	37,557
Cash and Cash Equivalents at End of Year	\$881,760	\$572,869	\$1,454,629	\$7,277

CITY OF HEATH, OHIO

	Business-Type Activities Enterprise Funds			Governmental- Activities Internal Service
	Water	Sewer	Total	Fund
Reconciliation of Operating Income (Loss) to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$176,647	\$513,843	\$690,490	(\$29,215)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	351,098	467,974	819,072	0
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	17,290	35,530	52,820	0
Increase in Inventory	(4,392)	(11,481)	(15,873)	0
Decrease in Prepaid Items	1,789	44	1,833	0
Increase (Decrease) in Accounts Payable	(2,521)	11,071	8,550	0
Decrease in Health Claims Payable	0	0	0	(1,065)
Increase in Accrued Wages and Benefits Payable	15,110	25,467	40,577	0
Increase (Decrease) in Compensated Absences Payable	(42,930)	36,184	(6,746)	0
Total Adjustments	335,444	564,789	900,233	(1,065)
Net Cash Provided (Used) by Operating Activities	\$512,091	\$1,078,632	\$1,590,723	(\$30,280)

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2008 the Sewer Fund had an outstanding liability of \$37,616 for the purchase of certain capital assets. The fair value of investments reported in the Sewer Fund increased by \$44,498 during 2008.

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

***Statement of Net Assets
Fiduciary Fund
December 31, 2008***

	Private Purpose Trust
Assets:	
Cash and Cash Equivalents	\$ 4,571
Total Assets	<u>4,571</u>
Liabilities:	
Total Liabilities	<u>0</u>
Net Assets:	
Unrestricted	4,571
Total Net Assets	<u>\$ 4,571</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2008***

	Private Purpose Trust
Additions:	
Contributions	\$ 197
Total Additions	<u>197</u>
Deductions:	
Total Deductions	<u>0</u>
Change in Net Assets	197
Net Assets at Beginning of Year	<u>4,374</u>
Net Assets End of Year	<u>\$ 4,571</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2008 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

Property taxes measurable as of December 31, 2008 but which are not intended to finance 2008 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes for the government-wide, the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

E. Budgetary Process

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

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

1. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2008.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. During 2008, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

3. Lapsing of Appropriations

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	(\$776,865)	\$87,816
Increase (Decrease):		
Accrued Revenues at December 31, 2008 received during 2009	(667,609)	(755)
Accrued Revenues at December 31, 2007 received during 2008	681,453	0
Accrued Expenditures at December 31, 2008 paid during 2009	475,412	66,544
Accrued Expenditures at December 31, 2007 paid during 2008	(253,008)	(43,080)
2008 Prepays for 2009	(64,201)	(521)
2007 Prepays for 2008	73,718	955
Outstanding Encumbrances	(100,686)	(15,950)
Budget Basis	<u>(\$631,786)</u>	<u>\$95,009</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2008, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider their share of equity in STAR Ohio to be cash equivalents. (See Note 4, "Cash, Cash Equivalents and Investments.")

G. Investments

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

The City has invested funds in the STAR Ohio during 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2008.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

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

2. Property, Plant and Equipment – Business Type Activities

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

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

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

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

K. Long-Term Obligations

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For proprietary funds, the entire compensated absences amount is reported as a fund liability.

M. Restricted Assets

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

N. Pensions

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

O. Operating Revenues and Expenses

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Self-Funded Insurance

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

Q. Interfund Activity

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

R. Reservations of Fund Balance

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

S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, state and federal grants for public safety and mandatory fines for various court programs.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Delinquent Income Tax Revenue	\$87,536
Delinquent Property Tax Revenue	34,197
Shared Revenues	<u>369,615</u>
	\$491,348

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$4,235,000)
Capital Leases Payable	(42,826)
Accrued Interest on Long-Term Debt	(17,146)
Compensated Absences Payable	<u>(675,496)</u>
	(\$4,970,468)

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

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

Capital Outlay	\$346,936
Depreciation Expense	(1,240,104)
	<u>(\$893,168)</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$22,258
Decrease in Delinquent Property Tax	(36,097)
Decrease in Shared Revenue	(127,039)
Decrease in Interest Income	(9,075)
	<u>(\$149,953)</u>

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

General Obligation Bond Principal	\$245,000
Capital Lease Payments	17,600
	<u>\$262,600</u>

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$39,354
Increase in supplies inventory	26,101
	<u>\$65,455</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2008 of \$46,175 in the Police Pension Fund (special revenue fund) and of \$84,420 in the Self Insurance Fund (internal service fund) arise from the recognition of expenditures/expenses on the modified accrual/accrual basis that are greater than expenditures/expenses recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$5,453,582 and the bank balance was \$5,639,023. Federal depository insurance covered \$750,000 of the bank balance. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$4,889,023</u>
Total Balance	<u><u>\$4,889,023</u></u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2008 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$704,802	AAAm ¹	\$704,802	\$0	\$0
FNMA	551,046	AAA ¹	0	100,188	450,858
FHLB	1,239,267	AAA ¹	0	602,058	637,209
FHLMC	2,595,035	AAA ¹	0	645,770	1,949,265
US Treasury Note	127,509		0	0	127,509
Total Investments	<u>\$5,217,659</u>		<u>\$704,802</u>	<u>\$1,348,016</u>	<u>\$3,164,841</u>

1. Standard & Poor's

2. All are fully FDIC insured and therefore have an implied AAA credit rating

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 10.6% are FNMA, 23.8% are FHLB, 49.7% are FHLMC, 13.5% are STAR Ohio and 2.4% are US Treasury Notes.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$30,668 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

D. Reconciliation of Cash, Cash Equivalents and Investments (Continued)

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per GASB Statement No. 9	\$4,146,358	\$6,524,883
Certificates of Deposit (with maturities of more than 3 months)	2,012,026	(2,012,026)
Investments:		
STAR Ohio	(704,802)	704,802
Per GASB Statement No. 3	<u>\$5,453,582</u>	<u>\$5,217,659</u>

* Does not include cash with fiscal agent.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the City and used in business. Real property taxes (other than public utility) collected during 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2008. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 6.25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to 12.5 percent in 2007, 6.25 percent for 2008 and finally to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semiannually, the first payment is due April 30; the remainder payable by September 20.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2008 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2008 levy was based was \$264,682,730. This amount constitutes \$258,591,140 in real property assessed value, \$5,585,850 in public utility assessed value and \$505,740 in tangible personal property assessed value.

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

B. Income Tax

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

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2008 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2008:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
General Fund	\$2,570	\$1,272,500
Capital Improvement Fund	750,000	6,090
Other Governmental Funds	<u>568,679</u>	<u>43,988</u>
Total Governmental Transfers	1,321,249	1,322,578
Business Type Activities:		
Water Fund	<u>1,329</u>	<u>0</u>
Total Business Type Transfers	<u>1,329</u>	<u>0</u>
Totals	<u>\$1,322,578</u>	<u>\$1,322,578</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Non-Depreciable Capital Assets:				
Land	\$9,341,222	\$0	\$0	\$9,341,222
Construction in Progress	639,481	75,506	(232,315)	482,672
Subtotal	9,980,703	75,506	(232,315)	9,823,894
Depreciable Capital Assets:				
Buildings	4,818,598	61,738	0	4,880,336
Improvements other than Buildings	3,503,993	0	0	3,503,993
Machinery and Equipment	6,781,795	119,968	(456,332)	6,445,431
Infrastructure	17,654,164	322,039	(38,764)	17,937,439
Subtotal	32,758,550	503,745	(495,096)	32,767,199
Total Cost	\$42,739,253	\$579,251	(\$727,411)	\$42,591,093
Accumulated Depreciation:				
Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$2,149,554)	(\$114,602)	\$0	(\$2,264,156)
Improvements other than Buildings	(1,026,817)	(164,886)	0	(1,191,703)
Machinery and Equipment	(4,486,471)	(357,755)	199,600	(4,644,626)
Infrastructure	(6,946,047)	(602,861)	31,458	(7,517,450)
Total Depreciation	(\$14,608,889)	(\$1,240,104) *	\$231,058	(\$15,617,935)
Net Value:	\$28,130,364			\$26,973,158

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$292,713
Leisure Time Activities	222,415
Community Environment	612
Transportation	698,002
General Government	26,362
Total Depreciation Expense	\$1,240,104

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Non-Depreciable Capital Assets:				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	262,312	31,762	(262,312)	31,762
Subtotal	659,686	31,762	(262,312)	429,136
Depreciable Capital Assets:				
Buildings	12,715,457	0	0	12,715,457
Improvements Other Than Buildings	1,515,418	0	0	1,515,418
Machinery and Equipment	5,047,449	315,249	(4,293)	5,358,405
Infrastructure	14,962,368	104,952	0	15,067,320
Subtotal	34,240,692	420,201	(4,293)	34,656,600
Total Cost	\$34,900,378	\$451,963	(\$266,605)	\$35,085,736

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings	(\$4,700,133)	(\$321,278)	\$0	(\$5,021,411)
Improvements Other Than Buildings	(753,372)	(75,148)	0	(828,520)
Machinery and Equipment	(4,087,076)	(149,533)	4,293	(4,232,316)
Infrastructure	(7,015,045)	(293,505)	0	(7,308,550)
Total Depreciation	(\$16,555,626)	(\$839,464)	\$4,293	(\$17,390,797)

Net Value:

\$18,344,752	\$17,694,939
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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 9– DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$172,958, \$208,764 and \$266,979, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 9– DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$144,495, \$142,229 and \$126,146 for police and \$169,985, \$115,561 and \$141,746 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 10- POSTEMPLOYMENT BENEFITS

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10- POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$172,958, \$137,509 and \$130,587, respectively, which were equal to the required contributions for each year.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 10- POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2008, 2007, and 2006 were \$76,498, \$75,298 and \$83,202 for police and \$66,516, \$101,966 and \$67,602 for firefighters, respectively, which were equal to the required contributions for each year.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 11 – COMPENSATED ABSENCES

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

At December 31, 2008, the City's accumulated, unpaid compensated absences amounted to \$832,323. Of this amount, \$709,895 is recorded as Governmental Activities on the Entity Wide Statement of Net Assets (\$77,925 is reported as due within one year), \$122,428 is recorded as Business-type activities (\$14,929 is reported as due within one year).

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2008 were as follows:

	Original Liability		Balance December 31, 2007	Additions	(Reductions)	Balance December 31, 2008	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
3.70 - 4.75% Fire Station Improvement	\$1,900,000	2018	\$1,240,000	\$0	(\$90,000)	\$1,150,000	\$95,000
4.25 - 5.05% Swimming Pool Improvement	1,850,000	2022	1,515,000	0	(75,000)	1,440,000	75,000
3.00 - 5.00% State Route 79 Improvement	2,035,000	2023	1,725,000	0	(80,000)	1,645,000	85,000
Total General Obligation Bonds			4,480,000	0	(245,000)	4,235,000	255,000
Capital Leases	117,512		60,426	0	(17,600)	42,826	18,344
Compensated Absences			714,850	709,895	(714,850)	709,895	77,925
Total Governmental Long-Term Debt			\$5,255,276	\$709,895	(\$977,450)	\$4,987,721	\$351,269
Business Type Activities:							
General Obligation Bond:							
3.70 - 4.75% Water Improvement	\$3,340,000	2018	\$2,180,000	\$0	(\$155,000)	\$2,025,000	\$160,000
Ohio Water Development Authority Loans:							
5.00% Loan SRF-112	6,558,290	2012	1,873,316	0	(434,206)	1,439,110	456,188
5.00% Loan SRF-114	1,668,457	2010	308,806	0	(118,957)	189,849	124,980
3.76% Loan SRF-4011	2,757,604	2018	2,612,861	0	(112,103)	2,500,758	0
Total OWDA Loans			4,794,983	0	(665,266)	4,129,717	581,168
Compensated Absences			129,174	122,428	(129,174)	122,428	14,929
Total Business Type Long-Term Debt			\$7,104,157	\$122,428	(\$949,440)	\$6,277,145	\$756,097

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term debt outstanding at December 31, 2008 were as follows:

Years	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2009	\$415,000	\$285,495	\$581,168	\$74,274
2010	435,000	268,409	544,152	44,825
2011	455,000	250,098	503,639	18,863
2012	470,000	230,523	0	0
2013	490,000	209,310	0	0
2014-2018	2,820,000	687,904	2,500,758	315,748
2019-2023	1,175,000	163,355	0	0
Totals	<u>\$6,260,000</u>	<u>\$2,095,094</u>	<u>\$4,129,717</u>	<u>\$453,710</u>

NOTE 13 - CAPITAL LEASES

The City leases a dump truck and pick-up truck under capital leases. The cost of the equipment obtained under lease agreements (\$89,348) are included in the Governmental Activities capital assets as machinery and equipment. The liability for these leases are recorded on the Statement of Net Assets as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2008:

Year Ending December 31,	Capital Leases
2009	\$20,165
2010	20,165
2011	5,622
Minimum Lease Payments	45,952
Less amount representing interest at the City's incremental borrowing rate of interest	(3,126)
Present value of minimum lease payments	<u>\$42,826</u>

NOTE 14 - RISK MANAGEMENT

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 14 - RISK MANAGEMENT (Continued)

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

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

The claims liability of \$91,697 reported in the fund at December 31, 2008 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount in fiscal years 2007 and 2008 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2007	\$114,581	933,903	(955,722)	\$92,762
2008	92,762	838,566	(839,631)	91,697

NOTE 15 - CONTINGENCIES

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 16 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2008, the City had the following significant contractual commitments outstanding:

<u>Project</u>	<u>Remaining Contractual Commitment</u>
State Route 79 Safety Improvements	\$175,458
WW Master Plan	70,412
Eastside Sewer Improvements	69,676
Bike Path - Rec. Center to Pool	24,890
Canal Park Improvements	20,000
Total	<u><u>\$360,436</u></u>



*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

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

State Highway Fund

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

County \$5 Permissive License Tax Fund

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

Swimming Pool Fund

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

Municipal Motor Vehicle License Tax Fund

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

Fire Pension Fund

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

Police Pension Fund

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

Federal Emergency Management Agency (FEMA) Fund

To account for Federal Emergency Management Agency funds received as reimbursement for winter clean up by the Street Department. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Law Enforcement Trust Fund

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

(Continued)

Special Revenue Funds

Police Professional Training Fund

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

Enforcement and Education Fund

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

D.A.R.E. Fund

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

Debt Service Fund

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

General Obligation Debt Service Fund

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

Capital Projects Fund

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

County Road Fund

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

Heath Street Improvement Fund

To account for financial resources used for improvements of the City's streets. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Permanent Fund

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

Conn Memorial Trust Fund

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

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2008**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 596,401	\$ 475,573	\$ 159,801	\$ 91,485	\$ 1,323,260
Receivables:					
Taxes	162,808	0	31,971	0	194,779
Intergovernmental	292,677	0	0	0	292,677
Inventory of Supplies, at Cost	83,864	0	0	0	83,864
Prepaid Items	10,333	0	0	0	10,333
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	30,668	0	0	0	30,668
Total Assets	<u>\$ 1,176,751</u>	<u>\$ 475,573</u>	<u>\$ 191,772</u>	<u>\$ 91,485</u>	<u>\$ 1,935,581</u>
Liabilities:					
Accounts Payable	\$ 8,671	\$ 0	\$ 0	\$ 0	\$ 8,671
Accrued Wages and Benefits Payable	184,539	0	0	0	184,539
Deferred Revenue	390,290	0	4,596	0	394,886
Total Liabilities	<u>583,500</u>	<u>0</u>	<u>4,596</u>	<u>0</u>	<u>588,096</u>
Fund Balances:					
Reserved for Encumbrances	2,881	0	0	0	2,881
Reserved for Prepaid Items	10,333	0	0	0	10,333
Reserved for Supplies Inventory	83,864	0	0	0	83,864
Reserved for Debt Service	0	0	187,176	0	187,176
Undesignated/Unreserved	496,173	475,573	0	91,485	1,063,231
Total Fund Balances	<u>593,251</u>	<u>475,573</u>	<u>187,176</u>	<u>91,485</u>	<u>1,347,485</u>
Total Liabilities and Fund Balances	<u>\$ 1,176,751</u>	<u>\$ 475,573</u>	<u>\$ 191,772</u>	<u>\$ 91,485</u>	<u>\$ 1,935,581</u>

CITY OF HEATH, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2008***

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 152,659	\$ 0	\$ 278,031	\$ 0	\$ 430,690
Intergovernmental Revenues	735,783	17,606	0	0	753,389
Charges for Services	527,472	0	0	1,925	529,397
Investment Earnings	0	0	0	2,769	2,769
Fines and Forfeitures	35,172	0	0	0	35,172
All Other Revenue	21,258	0	0	0	21,258
Total Revenue	<u>1,472,344</u>	<u>17,606</u>	<u>278,031</u>	<u>4,694</u>	<u>1,772,675</u>
Expenditures:					
Current:					
Security of Persons and Property	439,042	0	0	0	439,042
Leisure Time Activities	413,867	0	0	0	413,867
Transportation	897,651	831	0	0	898,482
Debt Service:					
Principal Retirement	92,600	0	170,000	0	262,600
Interest and Fiscal Charges	74,383	0	128,392	0	202,775
Total Expenditures	<u>1,917,543</u>	<u>831</u>	<u>298,392</u>	<u>0</u>	<u>2,216,766</u>
Excess (Deficiency) of Revenues Over Expenditures	(445,199)	16,775	(20,361)	4,694	(444,091)
Other Financing Sources (Uses):					
Transfers In	568,679	0	0	0	568,679
Transfers Out	(24,876)	(19,112)	0	0	(43,988)
Total Other Financing Sources (Uses)	<u>543,803</u>	<u>(19,112)</u>	<u>0</u>	<u>0</u>	<u>524,691</u>
Net Change in Fund Balance	98,604	(2,337)	(20,361)	4,694	80,600
Fund Balances at Beginning of Year	466,997	477,910	207,537	86,791	1,239,235
Increase in Inventory Reserve	27,650	0	0	0	27,650
Fund Balances End of Year	<u>\$ 593,251</u>	<u>\$ 475,573</u>	<u>\$ 187,176</u>	<u>\$ 91,485</u>	<u>\$ 1,347,485</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax
Assets:					
Cash and Cash Equivalents	\$ 231,544	\$ 101,461	\$ 0	\$ 10,065	\$ 80,010
Receivables:					
Taxes	0	0	0	0	0
Intergovernmental	209,728	17,005	0	0	58,698
Inventory of Supplies, at Cost	82,495	0	0	1,369	0
Prepaid Items	6,191	0	0	4,142	0
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	30,668	0	0
Total Assets	<u>\$ 529,958</u>	<u>\$ 118,466</u>	<u>\$ 30,668</u>	<u>\$ 15,576</u>	<u>\$ 138,708</u>
Liabilities:					
Accounts Payable	\$ 5,778	\$ 2,077	\$ 0	\$ 442	\$ 0
Accrued Wages and Benefits Payable	34,737	0	0	7,673	0
Deferred Revenue	139,819	11,337	30,668	0	39,132
Total Liabilities	<u>180,334</u>	<u>13,414</u>	<u>30,668</u>	<u>8,115</u>	<u>39,132</u>
Fund Balances:					
Reserved for Encumbrances	1,403	1,478	0	0	0
Reserved for Prepaid Items	6,191	0	0	4,142	0
Reserved for Supplies Inventory	82,495	0	0	1,369	0
Undesignated/Unreserved	259,535	103,574	0	1,950	99,576
Total Fund Balances	<u>349,624</u>	<u>105,052</u>	<u>0</u>	<u>7,461</u>	<u>99,576</u>
Total Liabilities and Fund Balances	<u>\$ 529,958</u>	<u>\$ 118,466</u>	<u>\$ 30,668</u>	<u>\$ 15,576</u>	<u>\$ 138,708</u>

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Police Professional Training</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 62,493	\$ 34,986	\$ 42,643	\$ 1,380	\$ 17,733	\$ 14,086	\$ 596,401
81,404	81,404	0	0	0	0	162,808
3,361	3,361	0	0	524	0	292,677
0	0	0	0	0	0	83,864
0	0	0	0	0	0	10,333
0	0	0	0	0	0	30,668
<u>\$ 147,258</u>	<u>\$ 119,751</u>	<u>\$ 42,643</u>	<u>\$ 1,380</u>	<u>\$ 18,257</u>	<u>\$ 14,086</u>	<u>\$ 1,176,751</u>
\$ 0	\$ 193	\$ 120	\$ 0	\$ 0	\$ 61	\$ 8,671
61,063	81,066	0	0	0	0	184,539
84,667	84,667	0	0	0	0	390,290
<u>145,730</u>	<u>165,926</u>	<u>120</u>	<u>0</u>	<u>0</u>	<u>61</u>	<u>583,500</u>
0	0	0	0	0	0	2,881
0	0	0	0	0	0	10,333
0	0	0	0	0	0	83,864
1,528	(46,175)	42,523	1,380	18,257	14,025	496,173
1,528	(46,175)	42,523	1,380	18,257	14,025	593,251
<u>\$ 147,258</u>	<u>\$ 119,751</u>	<u>\$ 42,643</u>	<u>\$ 1,380</u>	<u>\$ 18,257</u>	<u>\$ 14,086</u>	<u>\$ 1,176,751</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax
Revenues:					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	445,562	36,127	90,000	0	106,578
Charges for Services	0	0	0	527,472	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	2,292	0	0	3,623	0
Total Revenue	447,854	36,127	90,000	531,095	106,578
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Leisure Time Activities	0	0	0	413,867	0
Transportation	713,024	19,393	92,366	0	72,868
Debt Service:					
Principal Retirement	17,600	0	0	75,000	0
Interest and Fiscal Charges	2,565	0	0	71,818	0
Total Expenditures	733,189	19,393	92,366	560,685	72,868
Excess (Deficiency) of Revenues Over Expenditures	(285,335)	16,734	(2,366)	(29,590)	33,710
Other Financing Sources (Uses):					
Transfers In	295,977	0	0	6,090	19,112
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	295,977	0	0	6,090	19,112
Net Change in Fund Balance	10,642	16,734	(2,366)	(23,500)	52,822
Fund Balances at Beginning of Year	311,989	88,318	2,366	30,304	46,754
Increase in Inventory Reserve	26,993	0	0	657	0
Fund Balances End of Year	\$ 349,624	\$ 105,052	\$ 0	\$ 7,461	\$ 99,576

CITY OF HEATH, OHIO

Fire Pension	Police Pension	FEMA	Law Enforcement Trust	Police Professional Training	Enforcement and Education	D.A.R.E.	Total Nonmajor Special Revenue Funds
\$ 76,330	\$ 76,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 152,659
16,320	16,320	24,876	0	0	0	0	735,783
0	0	0	0	0	0	0	527,472
0	0	0	32,861	0	2,311	0	35,172
0	0	0	12,179	1,380	0	1,784	21,258
<u>92,650</u>	<u>92,649</u>	<u>24,876</u>	<u>45,040</u>	<u>1,380</u>	<u>2,311</u>	<u>1,784</u>	<u>1,472,344</u>
163,889	223,791	0	44,087	0	3,792	3,483	439,042
0	0	0	0	0	0	0	413,867
0	0	0	0	0	0	0	897,651
0	0	0	0	0	0	0	92,600
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74,383</u>
<u>163,889</u>	<u>223,791</u>	<u>0</u>	<u>44,087</u>	<u>0</u>	<u>3,792</u>	<u>3,483</u>	<u>1,917,543</u>
(71,239)	(131,142)	24,876	953	1,380	(1,481)	(1,699)	(445,199)
111,500	136,000	0	0	0	0	0	568,679
0	0	(24,876)	0	0	0	0	(24,876)
<u>111,500</u>	<u>136,000</u>	<u>(24,876)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>543,803</u>
40,261	4,858	0	953	1,380	(1,481)	(1,699)	98,604
(38,733)	(51,033)	0	41,570	0	19,738	15,724	466,997
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,650</u>
<u>\$ 1,528</u>	<u>\$ (46,175)</u>	<u>\$ 0</u>	<u>\$ 42,523</u>	<u>\$ 1,380</u>	<u>\$ 18,257</u>	<u>\$ 14,025</u>	<u>\$ 593,251</u>



CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008**

	<u>County Road</u>	<u>Heath Street Improvement</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:			
Intergovernmental Revenues	\$ 0	\$ 17,606	\$ 17,606
Total Revenue	<u>0</u>	<u>17,606</u>	<u>17,606</u>
Expenditures:			
Current:			
Transportation	831	0	831
Total Expenditures	<u>831</u>	<u>0</u>	<u>831</u>
Excess (Deficiency) of Revenues Over Expenditures	(831)	17,606	16,775
Other Financing Sources (Uses):			
Transfers Out	0	(19,112)	(19,112)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(19,112)</u>	<u>(19,112)</u>
Net Change in Fund Balance	(831)	(1,506)	(2,337)
Fund Balances at Beginning of Year	<u>476,404</u>	<u>1,506</u>	<u>477,910</u>
Fund Balances End of Year	<u>\$ 475,573</u>	<u>\$ 0</u>	<u>\$ 475,573</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,043,682	\$ 4,957,181	\$ 4,896,530	\$ (60,651)
Intergovernmental Revenues	578,748	578,748	782,519	203,771
Charges for Services	438,850	438,814	456,150	17,336
Licenses and Permits	27,450	27,450	29,849	2,399
Investment Earnings	475,000	275,000	285,268	10,268
Fines and Forfeitures	17,000	17,000	17,285	285
All Other Revenues	29,010	29,010	57,959	28,949
Total Revenues	6,609,740	6,323,203	6,525,560	202,357
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,354,405	1,432,433	1,399,256	33,177
Materials and Supplies	53,853	74,773	69,389	5,384
Contractual Services	189,215	193,515	159,536	33,979
Capital Outlay	4,000	4,000	1,618	2,382
Total Police	1,601,473	1,704,721	1,629,799	74,922
Communications:				
Personal Services	543,508	543,508	493,273	50,235
Contractual Services	21,300	38,300	29,588	8,712
Total Communications	564,808	581,808	522,861	58,947
Fire:				
Personal Services	1,036,864	1,037,939	921,645	116,294
Materials and Supplies	87,312	94,387	81,074	13,313
Contractual Services	140,450	140,450	104,485	35,965
Capital Outlay	500	500	284	216
Total Fire	1,265,126	1,273,276	1,107,488	165,788
Street Lighting:				
Contractual Services	70,000	72,500	72,500	0
Total Street Lighting	70,000	72,500	72,500	0
Total Security of Persons and Property	3,501,407	3,632,305	3,332,648	299,657

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	55,500	55,500	55,500	0
Total Public Health and Welfare Services	<u>55,500</u>	<u>55,500</u>	<u>55,500</u>	<u>0</u>
Leisure Time Activities:				
Parks:				
Personal Services	489,250	511,415	506,382	5,033
Materials and Supplies	49,781	49,781	42,428	7,353
Contractual Services	306,514	306,514	247,487	59,027
Other Expenditures	1,900	1,900	1,116	784
Capital Outlay	36,900	36,900	32,687	4,213
Total Leisure Time Activities	<u>884,345</u>	<u>906,510</u>	<u>830,100</u>	<u>76,410</u>
Community Environment:				
Planning and Zoning:				
Personal Services	151,790	153,080	133,717	19,363
Materials and Supplies	1,250	1,750	1,370	380
Contractual Services	131,763	152,033	140,853	11,180
Other Expenditures	720	720	0	720
Capital Outlay	13,500	18,930	10,704	8,226
Total Community Environment	<u>299,023</u>	<u>326,513</u>	<u>286,644</u>	<u>39,869</u>
General Government:				
Mayor:				
Personal Services	80,000	80,000	78,981	1,019
Materials and Supplies	1,100	1,100	942	158
Contractual Services	4,110	4,110	2,087	2,023
Capital Outlay	1,700	1,700	70	1,630
Total Mayor	<u>86,910</u>	<u>86,910</u>	<u>82,080</u>	<u>4,830</u>
City Council:				
Personal Services	37,800	37,800	37,800	0
Materials and Supplies	200	200	32	168
Contractual Services	2,300	2,300	1,355	945
Total City Council	<u>40,300</u>	<u>40,300</u>	<u>39,187</u>	<u>1,113</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Law Director:				
Personal Services	112,455	114,340	114,200	140
Contractual Services	90,702	158,702	158,358	344
Total Law Director	<u>203,157</u>	<u>273,042</u>	<u>272,558</u>	<u>484</u>
Clerk of Council:				
Personal Services	40,125	40,755	40,497	258
Materials and Supplies	600	600	350	250
Capital Outlay	2,000	2,000	1,490	510
Total Clerk of Council	<u>42,725</u>	<u>43,355</u>	<u>42,337</u>	<u>1,018</u>
Auditor:				
Personal Services	42,500	42,500	42,500	0
Materials and Supplies	500	500	145	355
Contractual Services	1,300	1,784	1,621	163
Total Auditor	<u>44,300</u>	<u>44,784</u>	<u>44,266</u>	<u>518</u>
General Administrative:				
Personal Services	265,474	271,459	269,900	1,559
Materials and Supplies	6,341	6,941	6,418	523
Contractual Services	274,000	284,517	267,963	16,554
Other Expenditures	5,250	5,250	2,410	2,840
Capital Outlay	2,000	1,400	1,339	61
Total General Administrative	<u>553,065</u>	<u>569,567</u>	<u>548,030</u>	<u>21,537</u>
Court Fees:				
Contractual Services	30,039	30,039	26,687	3,352
Total Court Fees	<u>30,039</u>	<u>30,039</u>	<u>26,687</u>	<u>3,352</u>
Civil Service:				
Contractual Services	30,500	30,500	18,970	11,530
Total Civil Service	<u>30,500</u>	<u>30,500</u>	<u>18,970</u>	<u>11,530</u>

(Continued)

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Safety/Service:				
Personal Services	75,735	75,670	57,620	18,050
Materials and Supplies	10,492	10,492	8,819	1,673
Contractual Services	74,874	84,673	68,535	16,138
Capital Outlay	5,500	500	305	195
Total Safety/Service	166,601	171,335	135,279	36,056
Income Tax:				
Personal Services	254,825	256,130	220,054	36,076
Materials and Supplies	11,781	8,527	7,731	796
Contractual Services	20,120	23,374	21,356	2,018
Capital Outlay	3,500	3,500	2,579	921
Total Income Tax	290,226	291,531	251,720	39,811
Total General Government	1,487,823	1,581,363	1,461,114	120,249
Total Expenditures	6,228,098	6,502,191	5,966,006	536,185
Excess (Deficiency) of Revenues Over (Under) Expenditures	381,642	(178,988)	559,554	738,542
Other Financing Sources (Uses):				
Transfers In	0	0	2,570	2,570
Transfers Out	(518,500)	(1,272,500)	(1,272,500)	0
Advances In	78,590	78,590	78,590	0
Total Other Financing Sources (Uses)	(439,910)	(1,193,910)	(1,191,340)	2,570
Net Change in Fund Balance	(58,268)	(1,372,898)	(631,786)	741,112
Fund Balance at Beginning of Year	3,080,521	3,080,521	3,080,521	0
Prior Year Encumbrances	32,210	32,210	32,210	0
Fund Balance at End of Year	<u>\$ 3,054,463</u>	<u>\$ 1,739,833</u>	<u>\$ 2,480,945</u>	<u>\$ 741,112</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 518,840	\$ 518,841	\$ 513,093	\$ (5,748)
Intergovernmental Revenues	114,507	114,508	123,105	8,597
Investment Earnings	7,634	7,634	7,311	(323)
All Other Revenues	0	0	128	128
Total Revenues	<u>640,981</u>	<u>640,983</u>	<u>643,637</u>	<u>2,654</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	488,308	496,308	479,020	17,288
Materials and Supplies	6,000	6,000	2,597	3,403
Contractual Services	12,650	12,650	10,406	2,244
Capital Outlay	52,170	65,395	61,523	3,872
Total Expenditures	<u>559,128</u>	<u>580,353</u>	<u>553,546</u>	<u>26,807</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,853	60,630	90,091	29,461
Other Financing Sources (Uses):				
Sale of Capital Assets	0	3,566	4,918	1,352
Total Other Financing Sources (Uses)	<u>0</u>	<u>3,566</u>	<u>4,918</u>	<u>1,352</u>
Net Change in Fund Balance	81,853	64,196	95,009	30,813
Fund Balance at Beginning of Year	294,224	294,224	294,224	0
Prior Year Encumbrances	8,119	8,119	8,119	0
Fund Balance at End of Year	<u>\$ 384,196</u>	<u>\$ 366,539</u>	<u>\$ 397,352</u>	<u>\$ 30,813</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Fund – Capital Improvement Fund
For the Year Ended December 31, 2008***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 526,250	\$ 529,277	\$ 3,027
Intergovernmental Revenues	56,000	56,311	311
All Other Revenues	10,750	10,750	0
Total Revenues	<u>593,000</u>	<u>596,338</u>	<u>3,338</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	527	527	0
Capital Outlay	419,053	418,874	179
Total Security of Persons and Property	<u>419,580</u>	<u>419,401</u>	<u>179</u>
Leisure Time Activities:			
Parks:			
Contractual Services	6,776	6,550	226
Capital Outlay	55,592	52,796	2,796
Total Parks	<u>62,368</u>	<u>59,346</u>	<u>3,022</u>
Swimming Pool:			
Contractual Services	18,800	18,800	0
Total Swimming Pool	<u>18,800</u>	<u>18,800</u>	<u>0</u>
Total Leisure Time Activities	<u>81,168</u>	<u>78,146</u>	<u>3,022</u>
Basic Utility Services:			
Water:			
Contractual Services	18,860	18,860	0
Total Basic Utility Services	<u>18,860</u>	<u>18,860</u>	<u>0</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Fund – Capital Improvement Fund
For the Year Ended December 31, 2008***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Transportation:			
Streets Department:			
Contractual Services	332,409	332,409	0
Capital Outlay	200,612	200,612	0
Total Transportation	<u>533,021</u>	<u>533,021</u>	<u>0</u>
General Government:			
General Administrative:			
Capital Outlay	82,664	82,664	0
Total General Administrative	<u>82,664</u>	<u>82,664</u>	<u>0</u>
Safety/Service:			
Contractual Services	35,567	35,567	0
Total Safety/Service	<u>35,567</u>	<u>35,567</u>	<u>0</u>
Total General Government	<u>118,231</u>	<u>118,231</u>	<u>0</u>
Total Expenditures	<u>1,179,744</u>	<u>1,176,284</u>	<u>3,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(586,744)	(579,946)	6,798
Other Financing Sources (Uses):			
Transfers In	750,000	750,000	0
Transfers Out	(6,090)	(6,090)	0
Total Other Financing Sources (Uses)	<u>743,910</u>	<u>743,910</u>	<u>0</u>
Net Change in Fund Balance	157,166	163,964	6,798
Fund Balance at Beginning of Year	1,366,452	1,366,452	0
Prior Year Encumbrances	594,831	594,831	0
Fund Balance at End of Year	<u>\$ 2,118,449</u>	<u>\$ 2,125,247</u>	<u>\$ 6,798</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			
Revenues:			
Intergovernmental Revenues	\$ 446,500	\$ 446,618	\$ 118
All Other Revenues	1,525	2,292	767
Total Revenues	<u>448,025</u>	<u>448,910</u>	<u>885</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	548,805	464,291	84,514
Materials and Supplies	178,882	169,082	9,800
Contractual Services	159,150	92,722	66,428
Capital Outlay	23,700	3,351	20,349
Total Expenditures	<u>910,537</u>	<u>729,446</u>	<u>181,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(462,512)	(280,536)	181,976
Other Financing Sources (Uses):			
Transfers In	295,975	295,977	2
Total Other Financing Sources (Uses)	<u>295,975</u>	<u>295,977</u>	<u>2</u>
Net Change in Fund Balance	(166,537)	15,441	181,978
Fund Balance at Beginning of Year	202,787	202,787	0
Prior Year Encumbrances	9,172	9,172	0
Fund Balance at End of Year	<u>\$ 45,422</u>	<u>\$ 227,400</u>	<u>\$ 181,978</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	STATE HIGHWAY FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Intergovernmental Revenues	\$ 36,000	\$ 36,213	\$ 213
Total Revenues	<u>36,000</u>	<u>36,213</u>	<u>213</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	22,500	11,328	11,172
Contractual Services	8,600	8,000	600
Capital Outlay	10,135	8,669	1,466
Total Expenditures	<u>41,235</u>	<u>27,997</u>	<u>13,238</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,235)	8,216	13,451
Fund Balance at Beginning of Year	81,632	81,632	0
Prior Year Encumbrances	10,135	10,135	0
Fund Balance at End of Year	<u>\$ 86,532</u>	<u>\$ 99,983</u>	<u>\$ 13,451</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 90,000	\$ 90,000	\$ 0
Total Revenues	<u>90,000</u>	<u>90,000</u>	<u>0</u>
Expenditures:			
Transportation:			
Street Department:			
Capital Outlay	92,366	92,366	0
Total Expenditures	<u>92,366</u>	<u>92,366</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,366)	(2,366)	0
Fund Balance at Beginning of Year	2,366	2,366	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

SWIMMING POOL FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 526,600	\$ 527,472	\$ 872
All Other Revenues	3,400	3,623	223
Total Revenues	<u>530,000</u>	<u>531,095</u>	<u>1,095</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	233,100	233,100	0
Materials and Supplies	59,060	59,059	1
Contractual Services	110,522	102,710	7,812
Capital Outlay	12,501	12,501	0
Total Leisure Time Activities	<u>415,183</u>	<u>407,370</u>	<u>7,813</u>
Debt Service:			
Principal Retirement	75,000	75,000	0
Interest and Fiscal Charges	71,818	71,818	0
Total Expenditures	<u>562,001</u>	<u>554,188</u>	<u>7,813</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,001)	(23,093)	8,908
Other Financing Sources (Uses):			
Transfers In	6,000	6,090	90
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>6,090</u>	<u>90</u>
Net Change in Fund Balance	(26,001)	(17,003)	8,998
Fund Balance at Beginning of Year	27,068	27,068	0
Fund Balance at End of Year	<u>\$ 1,067</u>	<u>\$ 10,065</u>	<u>\$ 8,998</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

MUNICIPAL MOTOR VEHICLE LICENSE TAX FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental Revenues	\$ 101,000	\$ 101,865	\$ 865
Total Revenues	<u>101,000</u>	<u>101,865</u>	<u>865</u>
Expenditures:			
Transportation:			
Street Department:			
Capital Outlay	72,868	72,868	0
Total Expenditures	<u>72,868</u>	<u>72,868</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,132	28,997	865
Other Financing Sources (Uses):			
Transfers In	19,000	19,112	112
Total Other Financing Sources (Uses)	<u>19,000</u>	<u>19,112</u>	<u>112</u>
Net Change in Fund Balance	47,132	48,109	977
Fund Balance at Beginning of Year	31,901	31,901	0
Fund Balance at End of Year	<u>\$ 79,033</u>	<u>\$ 80,010</u>	<u>\$ 977</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 77,428	\$ 76,330	\$ (1,098)
Intergovernmental Revenues	14,813	16,222	1,409
Total Revenues	<u>92,241</u>	<u>92,552</u>	<u>311</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	187,660	163,120	24,540
Contractual Services	2,020	1,493	527
Total Expenditures	<u>189,680</u>	<u>164,613</u>	<u>25,067</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(97,439)	(72,061)	25,378
Other Financing Sources (Uses):			
Transfers In	111,500	111,500	0
Total Other Financing Sources (Uses)	<u>111,500</u>	<u>111,500</u>	<u>0</u>
Net Change in Fund Balance	14,061	39,439	25,378
Fund Balance at Beginning of Year	23,054	23,054	0
Fund Balance at End of Year	<u>\$ 37,115</u>	<u>\$ 62,493</u>	<u>\$ 25,378</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	POLICE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 77,428	\$ 76,329	\$ (1,099)
Intergovernmental Revenues	14,813	16,222	1,409
Total Revenues	<u>92,241</u>	<u>92,551</u>	<u>310</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	218,390	217,561	829
Contractual Services	2,020	1,493	527
Total Expenditures	<u>220,410</u>	<u>219,054</u>	<u>1,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(128,169)	(126,503)	1,666
Other Financing Sources (Uses):			
Transfers In	135,405	136,000	595
Total Other Financing Sources (Uses)	<u>135,405</u>	<u>136,000</u>	<u>595</u>
Net Change in Fund Balance	7,236	9,497	2,261
Fund Balance at Beginning of Year	25,489	25,489	0
Fund Balance at End of Year	<u>\$ 32,725</u>	<u>\$ 34,986</u>	<u>\$ 2,261</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	FEMA FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Intergovernmental Revenues	\$ 24,876	\$ 24,876	\$ 0
Total Revenues	<u>24,876</u>	<u>24,876</u>	<u>0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	24,876	24,876	0
Other Financing Sources (Uses):			
Transfers Out	<u>(24,876)</u>	<u>(24,876)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(24,876)</u>	<u>(24,876)</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008***

LAW ENFORCEMENT TRUST FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 32,831	\$ 32,861	\$ 30
All Other Revenues	11,929	12,179	250
Total Revenues	<u>44,760</u>	<u>45,040</u>	<u>280</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	585	550	35
Contractual Services	18,500	15,832	2,668
Other Expenditures	500	0	500
Capital Outlay	<u>32,657</u>	<u>27,645</u>	<u>5,012</u>
Total Expenditures	<u>52,242</u>	<u>44,027</u>	<u>8,215</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,482)	1,013	8,495
Fund Balance at Beginning of Year	41,570	41,570	0
Fund Balance at End of Year	<u>\$ 34,088</u>	<u>\$ 42,583</u>	<u>\$ 8,495</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 1,380	\$ 1,380	\$ 0
Total Revenues	<u>1,380</u>	<u>1,380</u>	<u>0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,380	1,380	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 1,380</u>	<u>\$ 1,380</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 1,750	\$ 1,787	\$ 37
Total Revenues	<u>1,750</u>	<u>1,787</u>	<u>37</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	7,210	3,792	3,418
Total Expenditures	<u>7,210</u>	<u>3,792</u>	<u>3,418</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,460)	(2,005)	3,455
Fund Balance at Beginning of Year	19,738	19,738	0
Fund Balance at End of Year	<u>\$ 14,278</u>	<u>\$ 17,733</u>	<u>\$ 3,455</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2008**

	D.A.R.E. FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
All Other Revenues	\$ 1,500	\$ 1,784	\$ 284
Total Revenues	<u>1,500</u>	<u>1,784</u>	<u>284</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	3,000	1,784	1,216
Contractual Services	<u>2,200</u>	<u>1,611</u>	<u>589</u>
Total Expenditures	<u>5,200</u>	<u>3,395</u>	<u>1,805</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,700)	(1,611)	2,089
Fund Balance at Beginning of Year	15,636	15,636	0
Fund Balance at End of Year	<u>\$ 11,936</u>	<u>\$ 14,025</u>	<u>\$ 2,089</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 276,000	\$ 277,871	\$ 1,871
Total Revenues	<u>276,000</u>	<u>277,871</u>	<u>1,871</u>
Expenditures:			
Debt Service:			
Principal Retirement	170,000	170,000	0
Interest and Fiscal Charges	<u>128,392</u>	<u>128,392</u>	<u>0</u>
Total Expenditures	<u>298,392</u>	<u>298,392</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,392)	(20,521)	1,871
Fund Balance at Beginning of Year	180,322	180,322	0
Fund Balance at End of Year	<u>\$ 157,930</u>	<u>\$ 159,801</u>	<u>\$ 1,871</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008***

COUNTY ROAD FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	1,000	831	169
Total Expenditures	1,000	831	169
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,000)	(831)	169
Fund Balance at Beginning of Year	476,404	476,404	0
Fund Balance at End of Year	<u>\$ 475,404</u>	<u>\$ 475,573</u>	<u>\$ 169</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 17,606	\$ 17,606	\$ 0
Total Revenues	<u>17,606</u>	<u>17,606</u>	<u>0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,606	17,606	0
Other Financing Sources (Uses):			
Transfers Out	<u>(19,112)</u>	<u>(19,112)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(19,112)</u>	<u>(19,112)</u>	<u>0</u>
Net Change in Fund Balance	(1,506)	(1,506)	0
Fund Balance at Beginning of Year	1,506	1,506	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2008**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 1,900	\$ 1,925	\$ 25
Investment Earnings	1,700	2,769	1,069
Total Revenues	<u>3,600</u>	<u>4,694</u>	<u>1,094</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,600	4,694	1,094
Fund Balance at Beginning of Year	86,791	86,791	0
Fund Balance at End of Year	<u>\$ 90,391</u>	<u>\$ 91,485</u>	<u>\$ 1,094</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*



***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2008***

<u>Capital Assets:</u>	
Land	\$9,341,222
Construction in Progress	482,672
Buildings	4,880,336
Improvements Other Than Buildings	3,503,993
Machinery and Equipment	6,445,431
Infrastructure	<u>17,937,439</u>
Total Capital Assets	<u><u>\$42,591,093</u></u>

<u>Investment in Capital Assets:</u>	
Assets Acquired Prior to 1990	\$161,599
General Fund	3,038,285
Special Revenue Funds	2,975,156
Capital Projects Funds	33,228,872
Proprietary Funds	18,820
Fiduciary Funds	23,507
Grants	504,472
Donations	<u>2,640,382</u>
Total Investment in Capital Assets	<u><u>\$42,591,093</u></u>

CITY OF HEATH, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2008**

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings
General Government:				
Mayor	\$0	\$0	\$0	\$0
City Council	0	0	0	0
Clerk of Council	0	0	0	0
City Auditor	0	0	0	0
General Administration	258,188	0	762,040	19,179
Safety/Service	0	0	20,125	1,952
Income Tax	0	0	0	0
Total General Government	258,188	0	782,165	21,131
Security of Persons and Property:				
Police	0	0	40,000	4,013
Communications	0	0	0	40,287
Fire	39,890	0	1,983,545	15,467
Occupational Safety and Health Administration	0	0	0	0
Total Security of Persons and Property	39,890	0	2,023,545	59,767
Transportation:				
Streets	8,330,438	478,982	354,272	47,607
Community Environment:				
Zoning	0	3,690	0	12,237
Leisure Time Activities:				
Parks	712,706	0	1,156,865	1,303,454
Swimming Pool	0	0	563,489	2,059,797
Total Leisure Time Activities	712,706	0	1,720,354	3,363,251
Total Capital Assets	\$9,341,222	\$482,672	\$4,880,336	\$3,503,993

CITY OF HEATH, OHIO

<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$2,438	\$0	\$2,438
9,770	0	9,770
1,491	0	1,491
1,451	0	1,451
64,720	0	1,104,127
13,908	0	35,985
18,319	0	18,319
<u>112,097</u>	<u>0</u>	<u>1,173,581</u>
862,125	0	906,138
44,437	0	84,724
3,194,012	0	5,232,914
<u>5,650</u>	<u>0</u>	<u>5,650</u>
<u>4,106,224</u>	<u>0</u>	<u>6,229,426</u>
<u>1,448,499</u>	<u>17,937,439</u>	<u>28,597,237</u>
<u>238,251</u>	<u>0</u>	<u>254,178</u>
439,842	0	3,612,867
100,518	0	2,723,804
<u>540,360</u>	<u>0</u>	<u>6,336,671</u>
<u>\$6,445,431</u>	<u>\$17,937,439</u>	<u>\$42,591,093</u>

CITY OF HEATH, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2008**

Function and Activity	December 31, 2007	Transfers	Additions	Deletions	December 31, 2008
General Government:					
Mayor	\$3,913	\$0	\$0	(\$1,475)	\$2,438
City Council	9,770	0	0	0	9,770
Clerk of Council	1,349	0	1,490	(1,348)	1,491
City Auditor	1,451	0	0	0	1,451
General Administration	1,101,110	4,329	0	(1,312)	1,104,127
Safety/Service	34,186	1,799	0	0	35,985
Income Tax	18,696	0	1,623	(2,000)	18,319
Total General Government	<u>1,170,475</u>	<u>6,128</u>	<u>3,113</u>	<u>(6,135)</u>	<u>1,173,581</u>
Security of Persons and Property:					
Police	901,264	(32,191)	76,876	(39,811)	906,138
Communications	68,547	0	16,177	0	84,724
Fire	5,592,441	0	14,467	(373,994)	5,232,914
Occupational Safety and Health Administration	5,650	0	0	0	5,650
Total Security of Persons and Property	<u>6,567,902</u>	<u>(32,191)</u>	<u>107,520</u>	<u>(413,805)</u>	<u>6,229,426</u>
Transportation:					
Streets	28,182,496	0	453,505	(38,764)	28,597,237
Community Environment:					
Zoning	477,132	10,000	3,690	(236,644)	254,178
Leisure Time Activities:					
Parks	3,622,895	0	5,972	(16,000)	3,612,867
Swimming Pool	2,718,353	0	5,451	0	2,723,804
Total Leisure Time Activities	<u>6,341,248</u>	<u>0</u>	<u>11,423</u>	<u>(16,000)</u>	<u>6,336,671</u>
Total Capital Assets	<u>\$42,739,253</u>	<u>(\$16,063)</u>	<u>\$579,251</u>	<u>(\$711,348)</u>	<u>\$42,591,093</u>

STATISTICAL SECTION



STATISTICAL TABLES

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

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue sources, the income tax and the property tax.	
Debt Capacity	S 18 – S 25
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 30 – S 37
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources Note:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Heath

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

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

Source: City Auditor's Office

City of Heath

<u>2007</u>	<u>2008</u>
\$23,589,938	\$22,695,332
3,693,753	4,153,096
3,427,382	2,601,396
<u>\$30,711,073</u>	<u>\$29,449,824</u>

\$11,369,769	\$11,540,222
3,585,259	3,966,942
<u>\$14,955,028</u>	<u>\$15,507,164</u>

\$34,959,707	\$34,235,554
3,693,753	4,153,096
7,012,641	6,568,338
<u>\$45,666,101</u>	<u>\$44,956,988</u>

City of Heath

*Changes in Net Assets
Last Six Years
(accrual basis of accounting)*

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

City of Heath

<u>2007</u>	<u>2008</u>
\$4,412,475	\$5,033,962
55,000	55,500
1,165,587	1,553,376
116,430	248,044
48,759	12,585
1,611,106	1,716,140
1,480,358	1,862,217
211,364	201,466
<u>9,101,079</u>	<u>10,683,290</u>
1,572,649	1,499,924
1,994,356	1,992,845
<u>3,567,005</u>	<u>3,492,769</u>
<u>\$12,668,084</u>	<u>\$14,176,059</u>

\$414,707	\$427,535
0	0
681,222	637,733
52,913	22,902
4,592	107
18,538	6,377
2,119	8,950
641,109	593,995
5,408,548	24,050
<u>7,223,748</u>	<u>1,721,649</u>

(continued)

City of Heath

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

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

Source: City Auditor's Office

City of Heath

<u>2007</u>	<u>2008</u>
1,409,782	1,505,580
2,340,830	2,319,071
74,101	124,099
<u>3,824,713</u>	<u>3,948,750</u>
<u>11,048,461</u>	<u>5,670,399</u>
(1,877,331)	(8,961,641)
257,708	455,981
<u>(\$1,619,623)</u>	<u>(\$8,505,660)</u>
\$1,328,913	\$1,201,564
5,117,840	5,144,879
12,834	12,203
845,213	945,401
545,309	339,715
41,546	57,959
215,450	(1,329)
<u>8,107,105</u>	<u>7,700,392</u>
42,997	94,826
(215,450)	1,329
<u>(172,453)</u>	<u>96,155</u>
<u>\$7,934,652</u>	<u>\$7,796,547</u>
\$6,229,774	(\$1,261,249)
85,255	552,136
<u>\$6,315,029</u>	<u>(\$709,113)</u>

City of Heath

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund				
Reserved	\$115,661	\$83,509	\$142,777	\$127,313
Unreserved	<u>4,231,262</u>	<u>4,541,723</u>	<u>3,683,028</u>	<u>2,096,185</u>
<i>Total General Fund</i>	<u>4,346,923</u>	<u>4,625,232</u>	<u>3,825,805</u>	<u>2,223,498</u>
All Other Governmental Funds				
Reserved	2,370,102	1,304,433	2,888,349	1,721,367
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	1,901,744	1,447,770	1,626,592	877,025
Capital Projects Funds	3,133,582	4,030,491	1,722,096	1,957,897
Permanent Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Other Governmental Funds	<u>7,405,428</u>	<u>6,782,694</u>	<u>6,237,037</u>	<u>4,556,289</u>
<i>Total Governmental Funds</i>	<u><u>\$11,752,351</u></u>	<u><u>\$11,407,926</u></u>	<u><u>\$10,062,842</u></u>	<u><u>\$6,779,787</u></u>

Source: City Auditor's Office

City of Heath

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$139,559	\$120,024	\$150,353	\$190,870	\$304,325	\$229,436
<u>2,459,362</u>	<u>2,563,881</u>	<u>2,538,481</u>	<u>3,043,064</u>	<u>3,405,304</u>	<u>2,701,779</u>
<u>2,598,921</u>	<u>2,683,905</u>	<u>2,688,834</u>	<u>3,233,934</u>	<u>3,709,629</u>	<u>2,931,215</u>
1,870,715	1,295,931	877,324	683,026	884,924	519,403
527,463	486,555	404,562	698,812	644,659	829,632
1,197,020	1,934,190	1,959,028	1,789,751	1,931,812	2,652,964
<u>87,747</u>	<u>91,049</u>	<u>74,021</u>	<u>80,374</u>	<u>86,791</u>	<u>91,485</u>
<u>3,682,945</u>	<u>3,807,725</u>	<u>3,314,935</u>	<u>3,251,963</u>	<u>3,548,186</u>	<u>4,093,484</u>
<u>\$6,281,866</u>	<u>\$6,491,630</u>	<u>\$6,003,769</u>	<u>\$6,485,897</u>	<u>\$7,257,815</u>	<u>\$7,024,699</u>

City of Heath

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

	1999	2000	2001	2002
Revenues:				
Taxes	\$5,540,729	\$5,638,014	\$5,699,297	\$5,772,835
Intergovernmental Revenues	1,802,311	1,758,070	1,194,260	2,791,553
Charges for Services	320,045	314,930	305,467	679,393
Licenses and Permits	40,999	63,897	23,865	23,861
Investment Earnings	696,334	863,545	551,748	231,096
Fines and Forfeitures	37,983	47,028	55,211	50,156
All Other Revenue	131,060	208,067	166,414	179,070
Total Revenue	<u>8,569,461</u>	<u>8,893,551</u>	<u>7,996,262</u>	<u>9,727,964</u>
Expenditures:				
Current:				
Security of Persons and Property	3,266,024	3,113,404	3,609,903	4,651,512
Public Health and Welfare Services	52,500	52,500	52,500	52,500
Leisure Time Activities	765,123	1,063,805	1,797,370	3,704,349
Community Environment	275,314	642,751	529,615	299,688
Basic Utility Services	69,235	252,591	116,642	242,676
Transportation	2,068,313	2,599,485	1,717,306	3,286,170
General Government	1,205,090	1,008,258	1,094,494	1,251,016
Debt Service:				
Principal Retirement	290,000	265,563	278,662	290,739
Interest and Fiscal Charges	139,995	134,377	127,972	186,271
Total Expenditures	<u>8,131,594</u>	<u>9,132,734</u>	<u>9,324,464</u>	<u>13,964,921</u>
Excess (Deficiency) of Revenues Over Expenditures	437,867	(239,183)	(1,328,202)	(4,236,957)

City of Heath

2003	2004	2005	2006	2007	2008
\$5,990,306	\$5,968,715	\$6,103,117	\$6,765,736	\$6,511,364	\$6,372,485
1,336,400	1,910,803	1,294,553	1,558,369	2,019,146	1,690,485
654,828	599,002	706,904	683,875	951,735	985,547
23,933	34,775	46,232	76,891	59,600	29,849
123,662	86,929	161,518	320,207	599,005	348,790
36,068	38,588	34,812	41,611	52,689	51,154
69,742	82,124	266,653	115,424	151,613	95,013
<u>8,234,939</u>	<u>8,720,936</u>	<u>8,613,789</u>	<u>9,562,113</u>	<u>10,345,152</u>	<u>9,573,323</u>
4,069,038	3,873,095	4,473,935	4,340,627	4,679,467	4,895,866
52,500	52,500	52,500	54,000	55,000	55,500
1,475,797	1,185,345	1,119,728	1,588,478	1,537,158	1,316,678
255,327	256,397	261,315	277,529	286,914	257,489
568,416	204,435	0	0	48,759	12,585
2,667,651	1,324,269	1,267,352	1,187,069	1,304,268	1,259,204
1,212,168	1,253,721	1,260,752	1,274,127	1,434,312	1,568,514
377,928	450,236	436,960	251,721	254,165	262,600
234,518	255,283	237,609	221,879	212,555	202,775
<u>10,913,343</u>	<u>8,855,281</u>	<u>9,110,151</u>	<u>9,195,430</u>	<u>9,812,598</u>	<u>9,831,211</u>
(2,678,404)	(134,345)	(496,362)	366,683	532,554	(257,888)

(Continued)

City of Heath

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	992	3,327	0	0
Capital Leases Issued	0	0	12,062	16,210
Installment Loan Issued	228,000	95,165	0	0
General Obligation Bonds Issued	0	0	0	1,850,000
Transfers In	2,592,531	729,403	1,148,500	1,099,875
Transfers Out	(2,595,221)	(904,756)	(1,259,310)	(1,995,649)
Total Other Financing Sources (Uses)	<u>226,302</u>	<u>(76,861)</u>	<u>(98,748)</u>	<u>970,436</u>
Net Change in Fund Balance	<u>\$664,169</u>	<u>(\$316,044)</u>	<u>(\$1,426,950)</u>	<u>(\$3,266,521)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 5.58%	 4.58%	 4.56%	 3.54%

Source: City Auditor's Office

City of Heath

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
33,871	0	0	0	0	0
0	0	0	89,348	0	0
0	0	0	0	0	0
2,035,000	0	0	0	0	0
1,784,791	1,539,018	1,310,436	625,678	920,187	1,321,249
<u>(1,784,791)</u>	<u>(1,177,356)</u>	<u>(1,277,270)</u>	<u>(625,678)</u>	<u>(704,737)</u>	<u>(1,322,578)</u>
<u>2,068,871</u>	<u>361,662</u>	<u>33,166</u>	<u>89,348</u>	<u>215,450</u>	<u>(1,329)</u>
<u>(\$609,533)</u>	<u>\$227,317</u>	<u>(\$463,196)</u>	<u>\$456,031</u>	<u>\$748,004</u>	<u>(\$259,217)</u>
6.30%	12.18%	8.02%	7.29%	22.30%	4.91%

City of Heath

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Estimated Personal Income (in thousands)	\$206,939	\$228,694	\$232,531	\$236,667
Total Tax Collected	\$4,528,079	\$4,721,023	\$4,775,099	\$4,793,602
Income Tax Receipts				
Withholding	3,827,094	3,915,674	3,975,876	3,982,270
Percentage	84.52%	82.94%	83.26%	83.07%
Corporate	462,434	535,403	547,623	501,273
Percentage	10.21%	11.34%	11.47%	10.46%
Individuals	238,551	269,946	251,600	310,059
Percentage	5.27%	5.72%	5.27%	6.47%

Source: City Income Tax Department

City of Heath

2003	2004	2005	2006	2007	2008
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$240,862	\$253,124	\$258,803	\$273,290	\$289,253	\$289,253
\$4,950,955	\$4,806,164	\$5,004,128	\$5,430,307	\$5,372,699	\$5,292,914
3,912,690	3,940,162	4,072,849	4,154,215	4,236,786	4,362,702
79.03%	81.98%	81.39%	76.50%	78.86%	82.42%
661,068	506,273	569,139	913,764	760,337	580,904
13.35%	10.53%	11.37%	16.83%	14.15%	10.98%
377,197	359,729	362,140	362,328	375,576	349,308
7.62%	7.48%	7.24%	6.67%	6.99%	6.60%



City of Heath

Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2008

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.16%	\$146,878,873	41.63%	\$2,203,181	41.63%
All Others	6,201	99.84%	205,982,200	58.37%	3,089,733	58.37%
Total	6,211	100.00%	\$352,861,073	100.00%	\$5,292,914	100.00%

Calendar Year 1999

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.16%	\$136,313,867	44.62%	\$2,044,708	44.62%
All Others	6,079	99.84%	169,188,600	55.38%	2,537,829	55.38%
Total	6,089	100.00%	\$305,502,467	100.00%	\$4,582,537	100.00%

Source: City Income Tax Department

City of Heath

Ratio of Outstanding Debt By Type Last Ten Years

	1999	2000	2001	2002
Governmental Activities ⁽¹⁾				
General Obligation Bonds Payable	\$2,950,000	\$2,715,000	\$2,475,000	\$4,075,000
Installment Loan Payable	114,000	178,238	139,576	98,837
Capital Leases	2,212	305	10,859	23,893
Business-type Activities ⁽¹⁾				
General Obligation Bonds Payable	3,230,000	3,115,000	2,995,000	2,875,000
Ohio Water Development Authority Loans	5,748,322	5,375,697	4,984,208	4,572,900
Installment Loan Payable	114,000	92,239	70,842	48,373
Total Primary Government	<u>\$12,158,534</u>	<u>\$11,476,479</u>	<u>\$10,675,485</u>	<u>\$11,694,003</u>
Population ⁽²⁾				
City of Heath	8,100	8,527	8,527	8,527
Outstanding Debt Per Capita	\$1,501	\$1,346	\$1,252	\$1,371
Income ⁽³⁾				
Personal (in thousands)	206,939	228,694	232,531	236,667
Percentage of Personal Income	5.88%	5.02%	4.59%	4.94%

Sources:

(1) City Auditor's Office

(2) US Bureau of Census, Population Division

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

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

City of Heath

2003	2004	2005	2006	2007	2008
\$5,775,000	\$5,370,000	\$4,950,000	\$4,715,000	\$4,480,000	\$4,235,000
55,910	10,674	0	0	0	0
18,868	13,250	6,964	79,591	60,426	42,826
2,745,000	2,610,000	2,475,000	2,330,000	2,180,000	2,025,000
4,370,769	5,636,654	5,866,987	5,735,892	4,794,983	4,129,717
24,777	0	0	0	0	0
<u>\$12,990,324</u>	<u>\$13,640,578</u>	<u>\$13,298,951</u>	<u>\$12,860,483</u>	<u>\$11,515,409</u>	<u>\$10,432,543</u>
8,527	8,527	8,527	8,527	8,527	8,527
\$1,523	\$1,600	\$1,560	\$1,508	\$1,350	\$1,223
240,862	253,124	258,803	273,290	289,253	289,253
5.39%	5.39%	5.14%	4.71%	3.98%	3.61%

City of Heath

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	1999	2000	2001	2002
Population ⁽¹⁾	8,100	8,527	8,527	8,527
Assessed Value ⁽²⁾	\$233,751,260	\$236,728,410	\$244,948,550	\$255,735,300
General Bonded Debt ⁽³⁾				
General Obligation Bonds	\$6,180,000	\$5,830,000	\$5,470,000	\$6,950,000
Resources Available to Pay Principal ⁽⁴⁾	\$576,752	\$730,272	\$839,512	\$995,128
Net General Bonded Debt	\$5,603,248	\$5,099,728	\$4,630,488	\$5,954,872
Ratio of Net Bonded Debt to Estimated Actual Value	2.40%	2.15%	1.89%	2.33%
Net Bonded Debt per Capita	\$691.76	\$598.07	\$543.04	\$698.35

Source:

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

(2) Licking County Auditor

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

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

City of Heath

2003	2004	2005	2006	2007	2008
8,527	8,527	8,527	8,527	8,527	8,527
\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460	\$275,592,260	\$264,682,730
\$8,520,000	\$7,980,000	\$7,425,000	\$7,045,000	\$6,660,000	\$6,260,000
\$757,865	\$494,931	\$245,652	\$227,198	\$207,537	\$187,176
\$7,762,135	\$7,485,069	\$7,179,348	\$6,817,802	\$6,452,463	\$6,072,824
3.05%	2.87%	2.37%	2.42%	2.34%	2.29%
\$910.30	\$877.81	\$841.95	\$799.55	\$756.71	\$712.19



City of Heath

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2008*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Heath</u>	<u>Amount Applicable to the City of Heath</u>
Direct:			
City of Heath	\$4,235,000	100.00%	\$4,235,000
Overlapping:			
Heath City School District	14,818,704	94.46%	13,997,748
Licking County	9,237,549	7.75%	<u>715,910</u>
		Subtotal	<u>14,713,658</u>
		Total	<u><u>\$18,948,658</u></u>

Source: Licking County

City of Heath

Debt Limitations Last Ten Years

Collection Year	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$233,751,260	\$236,728,410	\$244,948,550	\$255,735,300
Legal Debt Limitation (%) ⁽¹⁾	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) ⁽¹⁾	24,543,882	24,856,483	25,719,598	26,852,207
City Debt Outstanding ⁽²⁾	2,950,000	2,715,000	2,475,000	4,075,000
Less: Applicable Debt Service Fund Amounts	(576,752)	(730,272)	(839,512)	(995,128)
Net Indebtedness Subject to Limitation	<u>2,373,248</u>	<u>1,984,728</u>	<u>1,635,488</u>	<u>3,079,872</u>
Overall Legal Debt Margin	<u><u>\$22,170,634</u></u>	<u><u>\$22,871,755</u></u>	<u><u>\$24,084,110</u></u>	<u><u>\$23,772,335</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$233,751,260	\$236,728,410	\$244,948,550	\$255,735,300
Legal Debt Limitation (%) ⁽¹⁾	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) ⁽¹⁾	12,856,319	13,020,063	13,472,170	14,065,442
City Debt Outstanding ⁽²⁾	2,950,000	2,715,000	2,475,000	4,075,000
Less: Applicable Debt Service Fund Amounts	(576,752)	(730,272)	(839,512)	(995,128)
Net Indebtedness Subject to Limitation	<u>2,373,248</u>	<u>1,984,728</u>	<u>1,635,488</u>	<u>3,079,872</u>
Overall Legal Debt Margin	<u><u>\$10,483,071</u></u>	<u><u>\$11,035,335</u></u>	<u><u>\$11,836,682</u></u>	<u><u>\$10,985,570</u></u>

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

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

Source: City Auditor's Office

City of Heath

2003	2004	2005	2006	2007	2008
\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460	\$275,592,260	\$264,682,730
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
26,722,000	27,419,553	31,785,550	29,591,253	28,937,187	27,791,687
5,775,000	5,370,000	4,950,000	4,715,000	4,480,000	4,235,000
(757,865)	(494,931)	(245,652)	(227,198)	(207,537)	(187,176)
5,017,135	4,875,069	4,704,348	4,487,802	4,272,463	4,047,824
\$21,704,865	\$22,544,484	\$27,081,202	\$25,103,451	\$24,664,724	\$23,743,863
\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460	\$275,592,260	\$264,682,730
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
13,997,238	14,362,623	16,649,574	15,500,180	15,157,574	14,557,550
5,775,000	5,370,000	4,950,000	4,715,000	4,480,000	4,235,000
(757,865)	(494,931)	(245,652)	(227,198)	(207,537)	(187,176)
5,017,135	4,875,069	4,704,348	4,487,802	4,272,463	4,047,824
\$8,980,103	\$9,487,554	\$11,945,226	\$11,012,378	\$10,885,111	\$10,509,726

City of Heath

Demographic and Economic Statistics Last Ten Years

Calendar Year	1999	2000	2001	2002	2003
Population (1)					
City of Heath	8,100	8,527	8,527	8,527	8,527
Licking County	128,300	145,491	145,491	145,491	145,491
Income (2) (a)					
Total Personal (in thousands)	206,939	228,694	232,531	236,667	240,862
Per Capita	25,548	26,820	27,270	27,755	28,247
Unemployment Rate (3)					
Federal	4.5%	4.2%	3.8%	4.8%	5.8%
State	4.3%	4.3%	3.7%	4.3%	5.7%
Licking County	3.6%	3.6%	3.6%	4.7%	5.3%
Civilian Work Force Estimates (3)					
State	5,749,000	5,900,400	5,857,000	5,828,000	5,915,000
Licking County	72,500	73,100	75,100	77,800	78,800

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2007 for the presentation of 2008 statistics, the City is using the latest information available.

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

(3) State Department of Labor Statistics

City of Heath

2004	2005	2006	2007	2008
8,527	8,527	8,527	8,527	8,527
145,491	145,491	145,491	145,491	145,491
253,124	258,803	273,290	289,253	289,253
29,685	30,351	32,050	33,922	33,922
6.0%	5.5%	5.0%	4.6%	5.8%
6.1%	6.0%	5.9%	5.6%	6.6%
5.9%	5.8%	5.1%	5.2%	6.1%
5,875,300	5,900,400	5,934,000	5,976,500	5,986,400
80,500	81,100	82,700	84,500	85,600



City of Heath

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2008	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	1,225	1
Super Wal-Mart Stores	Retail Sales	472	2
Arvin/Meritor	Manufacturing	443	3
Kaiser Aluminum & Chemical Co.	Manufacturing	303	4
Heath City Schools	Education	300	5
Heath Nursing Home	Health Care	256	6
Sears	Retail Sales	206	7
Lowe's Home Center	Retail Sales	204	8
JHL Automotive	Retail Sales	199	9
Englefield Oil	Petroleum Products	177	10
Total		<u>3,785</u>	

Employer	Nature of Business	1999	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	1,237	1
Arvin/Meritor	Manufacturing	1,053	2
Kaiser Aluminum & Chemical Co.	Manufacturing	309	3
Wal-Mart Stores	Retail Sales	220	4
Kroger	Retail/Grocery	201	5
Heath Nursing Home	Health Care	195	6
Englefield Oil	Petroleum Products	170	7
Sears	Retail Sales	161	8
Heath City Schools	Education	146	9
Mathews Ford	Auto Sales and Service	113	10
Total		<u>3,805</u>	

Sources:

City of Heath Income Tax Department

Total number of employees within the City is not available.

City of Heath

Full Time Equivalent Employees by Function Last Ten Years

	1999	2000	2001	2002	2003
Governmental Activities					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor	1.00	1.00	1.00	1.00	1.00
Council	7.00	7.00	7.00	7.00	7.00
Clerk of Council	1.00	1.00	1.00	1.00	1.00
Legal	2.00	2.00	2.00	2.00	2.00
Administration	3.25	3.25	3.00	3.25	3.00
Income Tax	4.50	5.00	5.00	5.00	5.00
Service	1.25	1.25	1.25	1.25	1.25
Security of Persons and Property					
Police	22.00	22.00	21.00	22.00	21.00
Fire	17.00	24.50	26.75	27.00	23.50
Communications	9.00	10.00	10.00	9.00	9.50
Transportation					
Street	11.00	11.00	11.00	11.00	10.00
Leisure Time Activities					
Recreation / Parks	4.75	6.25	9.75	11.00	10.00
Water Park	13.75	14.00	15.25	27.25	34.75
Community Environment					
Zoning	2.00	2.00	2.00	2.00	2.00
Business-Type Activities					
Utilities					
Water	9.00	9.00	8.00	8.25	8.00
Sewer	10.00	9.25	9.00	9.25	9.00
<i>Total Employees</i>	<u>119.50</u>	<u>129.50</u>	<u>134.00</u>	<u>148.25</u>	<u>149.00</u>

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

Source: City Auditor's Office

City of Heath

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	2.00
3.00	3.00	3.25	3.50	3.50
5.00	4.00	4.00	4.00	4.00
1.00	1.00	1.00	1.00	1.25
19.00	19.00	18.00	18.00	18.00
22.50	16.00	16.50	16.00	16.00
9.50	10.50	11.00	7.50	8.00
10.00	10.00	9.00	8.50	7.50
9.50	8.25	8.00	7.75	7.50
36.75	31.25	31.00	29.50	31.50
2.00	2.00	2.00	2.00	2.00
8.00	8.00	8.25	7.50	8.00
9.00	9.00	7.50	7.75	8.00
<u>147.25</u>	<u>134.00</u>	<u>131.50</u>	<u>125.00</u>	<u>127.25</u>

City of Heath

Operating Indicators by Function Last Ten Years

	1999	2000	2001	2002
Governmental Activities				
General Government				
Council				
Members	7	7	7	7
Number of Ordinances passed	122	88	103	135
Number of Resolutions passed	13	14	11	11
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	843	1,296	1,157	1,188
Number of Arrests	598	712	780	763
Fire				
Number of Calls	1,643	1,694	1,788	1,804
Number of Inspections	257	230	280	306
Transportation				
Street				
Number of Streets Resurfaced	20	3	15	2
Leisure Time Activities				
Recreation / Parks				
Number of Pool/Water Park Memberships Sold	338	461	400	925
Number of Rec Center Memberships Sold	190	2,123	227	235
Community Environment				
Number of Building Permits	219	184	174	119
Number of Building Inspections	196	167	154	100
Number of Board of Building and Zoning Appeal Cases	27	25	26	10
Business-Type Activities				
Water				
Number of Service Connections	3,050	3,225	3,225	3,398
Daily Average Consumption (thousands of gallons)	1,500	1,500	1,500	1,500
Maximun Daily Capacity (thousands of gallons)	1,800	1,800	1,800	1,800
Sewer				
Daily Average Sewage Treatment (thousands of gallons)	1,400	1,400	1,400	1,400

Source: City Auditor's Office

City of Heath

2003	2004	2005	2006	2007	2008
7	7	7	7	7	7
106	116	96	97	110	99
15	20	15	11	10	7
1,500	1,349	1,135	1,523	1,582	1,412
616	538	583	589	600	472
1,705	1,903	1,864	1,914	1,964	2,058
302	376	354	320	342	522
4	3	4	2	11	8
984	888	962	928	1,142	1,072
241	205	117	182	250	104
154	139	157	196	110	82
141	130	128	177	87	54
13	17	26	20	19	16
3,398	3,425	3,425	3,425	3,750	3,750
1,200	1,200	1,200	1,300	1,300	1,300
4,000	4,000	4,000	4,000	4,000	4,000
1,300	1,300	1,300	1,300	1,600	1,600

City of Heath

Capital Asset Statistics by Function Last Ten Years

	1999	2000	2001	2002
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	129	130	130	130
Buildings	21	21	21	21
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Vehicles	7	8	8	8
Fire				
Stations	2	2	2	2
Vehicles	10	10	10	10
Transportation				
Street				
Streets (lane miles)	86	86	86	86
Street Lights	654	654	654	654
Traffic Signals (Intersections)	14	14	14	14
Vehicles	14	14	14	14
Leisure Time Activities				
Recreation / Parks				
Land (acres)	129	129	129	358
Buildings	2	2	2	2
Parks	8	8	8	9
Playgrounds	3	3	3	3
Swimming Pools	1	1	1	1
Baseball/Softball Diamonds	7	7	7	7
Sand Volleyball Courts	2	2	2	2
Fitness and Recreation Center	1	1	1	1

City of Heath

2003	2004	2005	2006	2007	2008
130	136	132	132	132	132
21	22	23	23	23	23
1	1	1	1	1	1
8	8	8	8	8	7
2	2	2	2	2	2
9	9	9	10	10	10
87	87	87	87	90	90
660	660	705	707	708	708
17	17	17	18	18	18
14	14	14	14	14	14
358	366	376	376	376	376
2	2	2	2	2	2
9	10	11	11	11	11
3	3	3	3	4	4
1	1	1	1	1	1
7	7	7	7	7	7
2	2	2	2	2	2
1	1	1	1	1	1

City of Heath

Capital Asset Statistics by Function Last Ten Years

	1999	2000	2001	2002
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	60	60	60	62
Pump Stations	5	4	4	4
Number of Hydrants	505	505	505	529
Average Daily Consumption	1,500,000	1,500,000	1,500,000	1,500,000
Storage Capacity (thousands of gallons)	2,165	2,165	2,165	2,165
Sewer				
Sewerlines (Miles)	80	80	80	82
Lift Stations	15	15	15	16
Storm Drains (Miles)	51	52	52	52
Treatment Capacity (thousands of gallons)	1,750	1,750	1,750	1,750

Source: City Auditor's Office

City of Heath

2003	2004	2005	2006	2007	2008
67	71	74	79	81	81
4	4	5	5	5	5
540	560	588	594	766	767
1,200,000	1,200,000	1,200,000	1,400,000	1,300,000	1,300,000
2,165	2,165	2,165	2,165	2,165	2,165
96	101	105	110	112	113
16	18	19	19	18	20
52	52	52	60	60	60
1,750	1,750	1,750	1,750	1,750	1,750

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Heath as of and for the year ended December 31, 2008, and have issued our report thereon dated June 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Heath's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of the City of Heath in a separate letter dated June 12, 2009.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 12, 2009





Mary Taylor, CPA
Auditor of State

**CITY OF HEATH
LICKING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 30, 2009**