

CITY OF HEATH, OHIO

Licking County



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010



Dave Yost • Auditor of State

Members of Council
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 Wilson, Shannon & Snow, Inc., for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 26, 2011

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CITY OF HEATH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

Prepared by the City Auditor's Department

Mr. Keith B. Alexander
City Auditor



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LICKING COUNTY, OHIO

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CITY OF HEATH

1287 Hebron Road • Heath, Ohio 43056

Keith B. Alexander, City Auditor

phone (740) 522-1420

fax (740)-522-6324

June 20, 2011

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, 2010. The report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

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

The Reporting Entity

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

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

***Letter of Transmittal
For the Year Ended December 31, 2010***

The City of Heath

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

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

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

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

Labor Relations

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

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

CITY OF HEATH, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2010***

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	33

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

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

- 9 Elected Officials
- 1 Appointed Clerk of Council
- 2 Appointed law advisors
- 4 Exempted classified employees
- 1 Appointed Administrative Assistant
- 6 Department Heads

***Letter of Transmittal
For the Year Ended December 31, 2010***

ECONOMIC OUTLOOK & MAJOR INITIATIVES

From a development activity viewpoint, 2010 was significantly better than 2009. Very few businesses were lost, and several previously vacant sites were reoccupied. New businesses included Frisch's Restaurant, Jimmy John's Subs, Tire Discounter's, and T-Mobile. Although not yet open, newly announced businesses include a furniture store in the old Value City location, a Chinese restaurant in the former Ponderosa location, and an Italian restaurant in the Quality Inn, which was closed in 2011 and scheduled for re-opening in 2011. Carter Lumber, an almost 20-year long operating business closed its doors.

Industrially, 2010 was a year of modest growth. The Port Authority began construction of a new clean room/technology building with lease in place for some of that space. Several new storage building were constructed by Mike Correll Enterprises and all of the major industrial employers, including Boeing, Kaiser, and Arvin-Meritor either added positions and products or maintained a consistent posture.

Plans for 2011 include:

Zoning:	State Route 79 Safety Project (City's match)	\$98,000
	Thornwood Drive Culvert Replacement Project	\$50,000
Streets:	F-350 1-ton truck with plow	\$32,000
Parks:	F-350 Crew Cab 4X4 with plow	\$32,000
Pool:	Heater	\$17,000
	Activity Pool Repair	\$15,000
	Lane Line Reels	\$ 5,000
Police:	New carpet in locker room and patrol area	\$ 2,000
	Two new computer workstations	\$ 3,000

***Letter of Transmittal
For the Year Ended December 31, 2010***

OTHER INFORMATION

Independent Audit

An audit team from Wilson, Shannon and Snow, Inc. has performed this year's audit. The independent auditor's unqualified opinion has been included in the Independent Auditors' Report which is located at the front of the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. The City has received this award each year since 1994. The GFOA awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 through 2008. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

Public Disclosure

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

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

***Letter of Transmittal
For the Year Ended December 31, 2010***

Acknowledgments

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

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

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

Respectfully,



Keith B. Alexander
City Auditor

CITY OF HEATH, OHIO

**List of Principal Officials
For the Year Ended December 31, 2010**

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

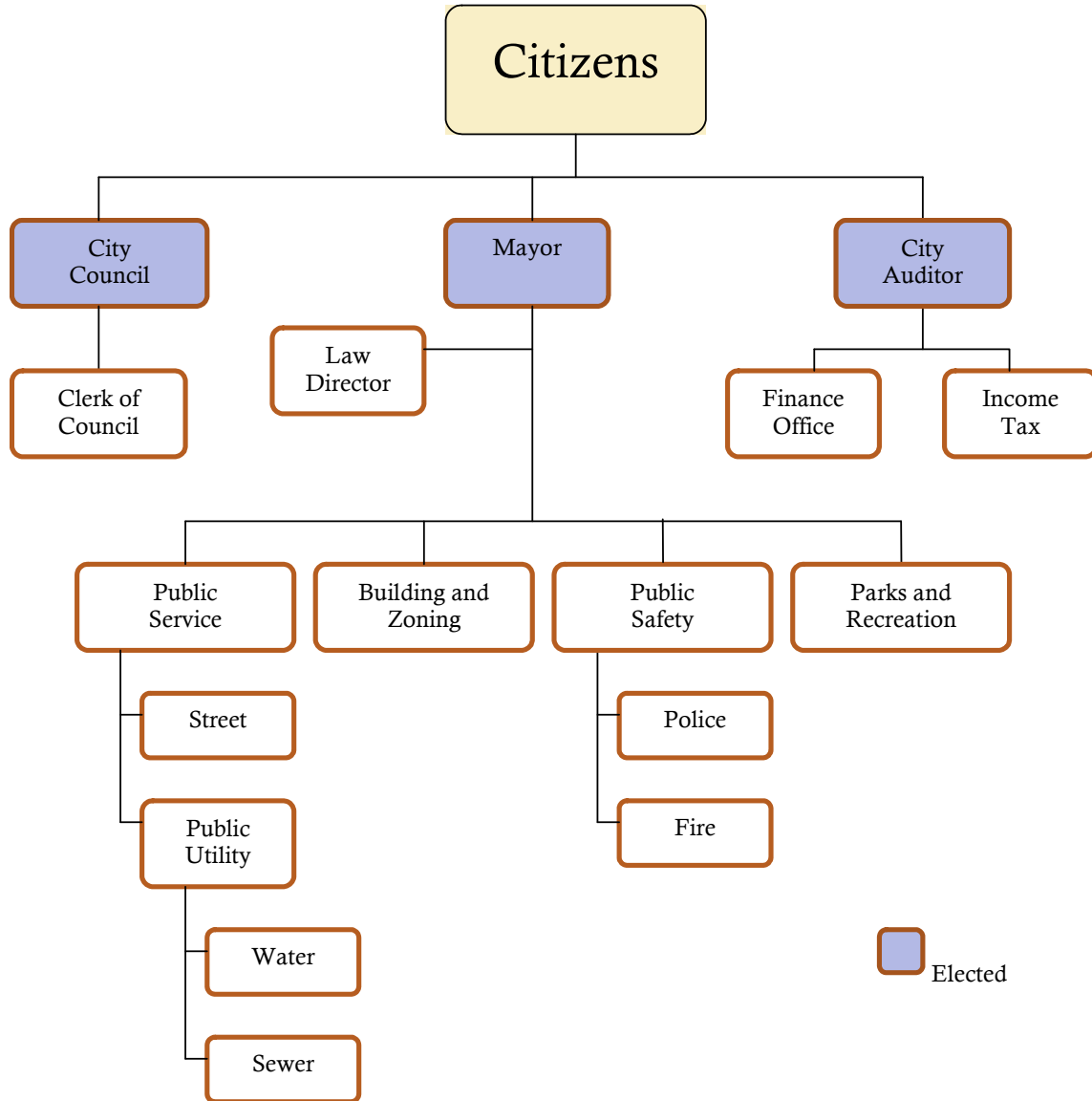
ADMINISTRATIVE PERSONNEL	TITLE	TERM OF OFFICE	SURETY
Kimberly Geller	Income Tax Commissioner	Indefinite	A
Anthony Shepherd	Police Chief	Indefinite	
John R. Mason	Police Lieutenant	Indefinite	
Mark Huggins	Fire Chief	Indefinite	
John Geller	Utilities Director	Indefinite	
Robert Geller	Street and Parks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

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

City Address:

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

**City Organizational Chart
For the Year Ended December 31, 2010**



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, 2009

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





INDEPENDENT AUDITORS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General and Fire Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 17, the City reclassified the Conn Memorial Trust Fund from a Permanent Fund to a Special Revenue Fund.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

City of Heath
Licking County
Independent Auditors' Report

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 20, 2011

The management's discussion and analysis of the City of Heath's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2010. 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 2010 are as follows:

In total, net assets increased \$1,289,254. Net assets of governmental activities increased \$279,858 which represents a .86% increase from 2009. Net assets of business-type activities increased \$1,009,396 or 6.5% from 2009.

General revenues accounted for \$7.3 million in revenue or 48.3% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for 51.7% of total revenues of \$15.1 million.

The City had \$10.3 million in expenses related to governmental activities; \$3.3 million of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes) of \$7.3 million assisted in providing for these programs.

Among major funds, the general fund had \$6.6 million in revenues and other financing sources and \$6.6 million in expenditures and other financing uses. The general fund's fund balance decreased \$18,347 to \$3.76 million.

Net assets for enterprise funds increased by \$1,014,887. Current year activity varied very little from last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

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, 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$9,341,244	\$10,581,250	\$5,283,103	\$4,263,265	\$14,624,347	\$14,844,515
Capital assets, Net	29,925,346	28,796,812	18,494,734	16,958,997	48,420,080	45,755,809
Total assets	<u>39,266,590</u>	<u>39,378,062</u>	<u>23,777,837</u>	<u>21,222,262</u>	<u>63,044,427</u>	<u>60,600,324</u>
Long-term debt outstanding	4,522,165	4,784,841	6,059,193	5,587,789	10,581,358	10,372,630
Other liabilities	1,922,437	2,051,091	1,242,929	168,154	3,165,366	2,219,245
Total liabilities	<u>6,444,602</u>	<u>6,835,932</u>	<u>7,302,122</u>	<u>5,755,943</u>	<u>13,746,724</u>	<u>12,591,875</u>
Net assets						
Invested in capital assets, net of related debt	26,184,975	24,757,330	11,458,893	11,511,143	37,643,868	36,268,473
Restricted	4,052,345	4,440,662	0	0	4,052,345	4,440,662
Unrestricted	2,584,668	3,344,138	5,016,822	3,955,176	7,601,490	7,299,314
Total net assets	<u>\$32,821,988</u>	<u>\$32,542,130</u>	<u>\$16,475,715</u>	<u>\$15,466,319</u>	<u>\$49,297,703</u>	<u>\$48,008,449</u>

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for Services and Sales	\$1,090,898	\$2,662,436	\$3,900,925	\$3,707,967	\$4,991,823	\$6,370,403
Operating Grants and Contributions	641,344	677,664	0	0	641,344	677,664
Capital Grants and Contributions	1,596,123	2,825,769	563,705	0	2,159,828	2,825,769
Total Program Revenues	<u>3,328,365</u>	<u>6,165,869</u>	<u>4,464,630</u>	<u>3,707,967</u>	<u>7,792,995</u>	<u>9,873,836</u>
General revenues:						
Property Taxes	1,183,579	1,187,092	0	0	1,183,579	1,187,092
Income Taxes	4,888,977	4,970,988	0	0	4,888,977	4,970,988
Other Local Taxes	10,098	10,671	0	0	10,098	10,671
Intergovernmental Revenue, Unrestricted	947,666	835,972	0	0	947,666	835,972
Investment Earnings	160,386	173,836	14,958	11,113	175,344	184,949
Miscellaneous	73,618	87,516	0	0	73,618	87,516
Total General Revenues	<u>7,264,324</u>	<u>7,266,075</u>	<u>14,958</u>	<u>11,113</u>	<u>7,279,282</u>	<u>7,277,188</u>
Total Revenues	<u>10,592,689</u>	<u>13,431,944</u>	<u>4,479,588</u>	<u>3,719,080</u>	<u>15,072,277</u>	<u>17,151,024</u>
Program Expenses:						
Security of Persons and Property	4,950,795	4,799,533	0	0	4,950,795	4,799,533
Public Health and Welfare Services	55,500	55,500	0	0	55,500	55,500
Leisure Time Activities	1,324,421	1,389,421	0	0	1,324,421	1,389,421
Community Environment	249,028	296,573	0	0	249,028	296,573
Basic Utility Services	399,949	0	0	0	399,949	0
Transportation	1,692,428	1,698,702	0	0	1,692,428	1,698,702
General Government	1,482,172	1,863,206	0	0	1,482,172	1,863,206
Interest and Fiscal Charges	158,538	213,056	0	0	158,538	213,056
Business Type Activities:						
Water	0	0	1,541,351	1,535,122	1,541,351	1,535,122
Sewer	0	0	1,928,841	2,145,932	1,928,841	2,145,932
Total Expenses	<u>10,312,831</u>	<u>10,315,991</u>	<u>3,470,192</u>	<u>3,681,054</u>	<u>13,783,023</u>	<u>13,997,045</u>
Change in Net Assets before transfers	279,858	3,115,953	1,009,396	38,026	1,289,254	3,153,979
Transfers	0	(23,647)	0	23,647	0	0
Total Change in Net Assets	279,858	3,092,306	1,009,396	61,673	1,289,254	3,153,979
Beginning Net Assets	32,542,130	29,449,824	15,466,319	15,404,646	48,008,449	44,854,470
Ending Net Assets	<u>\$32,821,988</u>	<u>\$32,542,130</u>	<u>\$16,475,715</u>	<u>\$15,466,319</u>	<u>\$49,297,703</u>	<u>\$48,008,449</u>

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

Governmental Activities

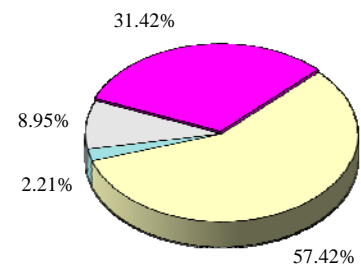
Net assets of the City's governmental activities increased by \$279,858. The increase cannot be identified by one specific reason but is a culmination of transactions which created the increase. Revenues and expenditures remained relatively flat compared to the prior year other than the donated bridge received in 2009.

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 11.17% and 46.15% respectively of revenues for governmental activities for the City in fiscal year 2010. The City's reliance upon tax revenues is demonstrated by the following graph indicating 57.42% of total revenues from general tax revenues:

Revenue Sources	2010	Percent of Total
Intergovernmental Revenue, Unrestricted	\$947,666	8.95%
Program Revenues	3,328,365	31.42%
General Tax Revenues	6,082,654	57.42%
General Other	234,004	2.21%
Total Revenue	<u>\$10,592,689</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities increased by \$1,009,396. The 6.5% increase in net assets is directly attributed to the receipt of \$563,705 in contributed capital assets and increased water and sewer charges in 2010.

**Management's Discussion and Analysis
For the Year Ended December 31, 2010****Unaudited****FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$7,030,344, which is a decrease from last year's balance of \$8,148,340. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2010 and 2009:

	Fund Balance December 31, 2010	Fund Balance December 31, 2009	Increase (Decrease)
General	\$3,757,108	\$3,775,455	(\$18,347)
Fire Levy	305,952	341,737	(35,785)
Capital Improvement Fund	1,740,062	2,681,880	(941,818)
Other Governmental	1,227,222	1,349,268	(122,046)
Total	<u>\$7,030,344</u>	<u>\$8,148,340</u>	<u>(\$1,117,996)</u>

General Fund – The City's General Fund balance did not change significantly from 2009. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2010 Revenues	2009 Revenues	Increase (Decrease)
Taxes	\$5,069,187	\$4,725,356	\$343,831
Intergovernmental Revenue	773,167	632,350	140,817
Charges for Services	395,060	419,835	(24,775)
Licenses and Permits	40,464	28,382	12,082
Investment Earnings	158,364	172,163	(13,799)
Fines and Forfeitures	62,351	1,631,106	(1,568,755)
All Other Revenue	73,618	87,516	(13,898)
Total	<u>\$6,572,211</u>	<u>\$7,696,708</u>	<u>(\$1,124,497)</u>

General Fund revenues in 2010 decreased approximately 14.6% compared to revenues in fiscal year 2009. The most significant factor contributing to this decrease was decreased fines and forfeitures collections resulting from removing the traffic light cameras installed at various intersections throughout the City. Income taxes rebounded slightly due to modest improvement in the economy.

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Security of Persons and Property	\$3,651,922	\$3,445,353	\$206,569
Public Health and Welfare Services	55,500	55,500	0
Leisure Time Activities	615,676	824,863	(209,187)
Community Environment	248,970	296,209	(47,239)
General Government	1,418,799	1,740,082	(321,283)
Total	<u>\$5,990,867</u>	<u>\$6,362,007</u>	<u>(\$371,140)</u>

General Fund expenditures decreased by \$371,140 or 5.8% under the prior year due primarily to lower administrative costs associated with the camera enforcement of various traffic signals throughout the City.

Fire Levy Fund – The balance of this fund decreased by \$35,785 or 10.5% under the prior year, as the City incurred higher personnel costs charged to the Fund.

Capital Improvement Fund – The balance in this fund can fluctuate by 50% or more in a given year because this fund is utilized to account for the majority of the City's capital improvements. The level of funding and expenditures vary depending on the City's capital plans for the given year. During 2010, the fund balance decreased by 35.1% due primarily to increased expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2010, the City amended its General Fund budget several times. The increase in the final budgeted appropriations of \$47,934 and the positive variance with the final budget of \$379,856 was the result of carefully watchful spending.

For the General Fund, final budget basis revenue of \$6,530,696 increased by \$192,450 over the original budget estimates of \$6,338,246 primarily as a result of increased intergovernmental revenue.

**Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2010 the City had \$48,420,080 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$29,925,346 was related to governmental activities and \$18,494,734 to the business-type activities. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$10,075,521	\$10,075,521	\$0
Construction in Progress	115,920	529,247	(413,327)
Total Non-Depreciable Capital Assets	10,191,441	10,604,768	(413,327)
Buildings	6,427,164	4,929,241	1,497,923
Improvements Other Than Buildings	3,808,928	3,526,487	282,441
Machinery and Equipment	6,075,691	5,993,183	82,508
Infrastructure	20,120,956	19,746,524	374,432
Less: Accumulated Depreciation	(16,698,834)	(16,003,391)	(695,443)
Total Depreciable Capital Assets, Net	19,733,905	18,192,044	1,541,861
Totals	\$29,925,346	\$28,796,812	\$1,128,534

	Business-Type Activities		Increase (Decrease)
	2010	2009	
Land	\$397,374	\$397,374	\$0
Construction in Progress	680,895	37,362	643,533
Total Non-Depreciable Capital Assets	1,078,269	434,736	643,533
Buildings	12,693,862	12,693,862	0
Improvements Other Than Buildings	1,515,418	1,515,418	0
Machinery and Equipment	5,450,908	5,332,514	118,394
Infrastructure	16,625,370	15,067,320	1,558,050
Less: Accumulated Depreciation	(18,869,093)	(18,084,853)	(784,240)
Total Depreciable Capital Assets, Net	17,416,465	16,524,261	892,204
Totals	\$18,494,734	\$16,958,997	\$1,535,737

***Management's Discussion and Analysis
For the Year Ended December 31, 2010***

Unaudited

The largest increases in governmental activities capital assets occurred in buildings. The cause of the increase is due to a renovation to the Davis-Shai House.

As of December 31, 2010, the City has contractual commitments of \$3,373,676 for various projects. Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2010, the City had \$5.46 million in bonds outstanding, \$485,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Governmental Activities:		
General Obligation Bonds	\$3,735,000	\$4,015,000
Capital Leases	5,371	24,482
Compensated Absences	781,794	745,359
Total Governmental Activities	<u>4,522,165</u>	<u>4,784,841</u>
Business-Type Activities:		
General Obligation Bonds	1,720,000	1,915,000
OWDA Loans	4,118,537	3,432,074
OPWC Loan	97,304	100,780
Compensated Absences	123,352	139,935
Total Business-Type Activities	<u>6,059,193</u>	<u>5,587,789</u>
Totals	<u><u>\$10,581,358</u></u>	<u><u>\$10,372,630</u></u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. At December 31, 2010, 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 2010 were down slightly from 2009.

2011 General Fund expenditures were budgeted at 5% less than 2010 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) 522-1420 or writing to City of Heath Auditor's Office, 1287 Hebron Rd., Heath, Ohio 43056.

CITY OF HEATH, OHIO**Statement of Net Assets
December 31, 2010**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,568,462	\$ 2,633,741	\$ 5,202,203
Investments	4,005,655	1,846,588	5,852,243
Receivables:			
Taxes	2,038,585	0	2,038,585
Accounts	11,205	495,659	506,864
Intergovernmental	435,004	266,585	701,589
Internal Balances	31,888	(31,888)	0
Inventory of Supplies at Cost	108,266	36,078	144,344
Prepaid Items	62,820	36,340	99,160
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	79,359	0	79,359
Non-Depreciable Capital Assets	10,191,441	1,078,269	11,269,710
Depreciable Capital Assets, Net	19,733,905	17,416,465	37,150,370
Total Assets	39,266,590	23,777,837	63,044,427
Liabilities:			
Accounts Payable	78,957	93,243	172,200
Accrued Wages and Benefits Payable	332,522	32,545	365,067
Intergovernmental Payable	114	0	114
Claims Payable	186,159	0	186,159
Unearned Revenue	1,311,988	0	1,311,988
Accrued Interest Payable	12,697	17,141	29,838
General Obligation Notes Payable	0	1,100,000	1,100,000
Noncurrent liabilities:			
Due within one year	347,991	869,239	1,217,230
Due in more than one year	4,174,174	5,189,954	9,364,128
Total Liabilities	6,444,602	7,302,122	13,746,724
Net Assets:			
Invested in Capital Assets, Net of Related Debt	26,184,975	11,458,893	37,643,868
Restricted For:			
Capital Projects	2,225,310	0	2,225,310
Debt Service	128,062	0	128,062
Security of Persons	953,065	0	953,065
Transportation	729,575	0	729,575
Leisure Time Activities	16,333	0	16,333
Unrestricted	2,584,668	5,016,822	7,601,490
Total Net Assets	\$ 32,821,988	\$ 16,475,715	\$ 49,297,703

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2010**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,950,795	\$ 471,415	\$ 0	\$ 0
Public Health and Welfare Services	55,500	0	0	0
Leisure Time Activities	1,324,421	558,966	0	1,348,546
Community Environment	249,028	35,658	0	0
Basic Utility Services	399,949	5,256	0	0
Transportation	1,692,428	4,383	641,344	247,577
General Government	1,482,172	15,220	0	0
Interest and Fiscal Charges	158,538	0	0	0
Total Governmental Activities	10,312,831	1,090,898	641,344	1,596,123
Business-Type Activities:				
Water	1,541,351	1,619,913	0	563,705
Sewer	1,928,841	2,281,012	0	0
Total Business-Type Activities	3,470,192	3,900,925	0	563,705
Totals	\$ 13,783,023	\$ 4,991,823	\$ 641,344	\$ 2,159,828

General Revenues:

Property Taxes
Municipal Income Taxes
Other Local Taxes
Intergovernmental Revenues, Unrestricted
Investment Earnings
Miscellaneous
Total General Revenues
Change in Net Assets
Net Assets Beginning of Year
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
\$ (4,479,380)	\$ 0	\$ (4,479,380)
(55,500)	0	(55,500)
583,091	0	583,091
(213,370)	0	(213,370)
(394,693)	0	(394,693)
(799,124)	0	(799,124)
(1,466,952)	0	(1,466,952)
(158,538)	0	(158,538)
<u>(6,984,466)</u>	<u>0</u>	<u>(6,984,466)</u>
0	642,267	642,267
0	352,171	352,171
<u>0</u>	<u>994,438</u>	<u>994,438</u>
<u>(6,984,466)</u>	<u>994,438</u>	<u>(5,990,028)</u>
1,183,579	0	1,183,579
4,888,977	0	4,888,977
10,098	0	10,098
947,666	0	947,666
160,386	14,958	175,344
73,618	0	73,618
<u>7,264,324</u>	<u>14,958</u>	<u>7,279,282</u>
279,858	1,009,396	1,289,254
<u>32,542,130</u>	<u>15,466,319</u>	<u>48,008,449</u>
<u>\$ 32,821,988</u>	<u>\$ 16,475,715</u>	<u>\$ 49,297,703</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2010**

	General	Fire Levy	Capital Improvement
Assets:			
Cash and Cash Equivalents	\$ 679,724	\$ 355,507	\$ 362,531
Investments	2,577,964	0	1,362,359
Receivables:			
Taxes	1,258,512	558,095	20,440
Accounts	11,205	0	0
Intergovernmental	124,951	21,941	0
Inventory of Supplies, at Cost	55,154	0	0
Prepaid Items	55,752	1,120	0
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Total Assets	\$ 4,763,262	\$ 936,663	\$ 1,745,330
Liabilities:			
Accounts Payable	\$ 49,154	\$ 4,292	\$ 1,950
Accrued Wages and Benefits Payable	130,818	46,383	0
Intergovernmental Payable	0	0	0
Deferred Revenue	826,182	580,036	3,318
Total Liabilities	1,006,154	630,711	5,268
Fund Balances:			
Reserved for Encumbrances	70,949	1,846	102,297
Reserved for Prepaid Items	55,752	1,120	0
Reserved for Supplies Inventory	55,154	0	0
Reserved for Debt Service	0	0	0
Designated for Budget Stabilization	1,041,973	0	0
Undesignated, Unreserved in:			
General Fund	2,533,280	0	0
Special Revenue Funds	0	302,986	0
Capital Projects Funds	0	0	1,637,765
Total Fund Balances	3,757,108	305,952	1,740,062
Total Liabilities and Fund Balances	\$ 4,763,262	\$ 936,663	\$ 1,745,330

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 1,158,781	\$ 2,556,543
65,332	4,005,655
201,538	2,038,585
0	11,205
288,112	435,004
53,112	108,266
5,948	62,820
<u>79,359</u>	<u>79,359</u>
<u>\$ 1,852,182</u>	<u>\$ 9,297,437</u>
\$ 23,561	\$ 78,957
155,321	332,522
114	114
<u>445,964</u>	<u>1,855,500</u>
<u>624,960</u>	<u>2,267,093</u>
24,312	199,404
5,948	62,820
53,112	108,266
134,952	134,952
0	1,041,973
0	2,533,280
523,650	826,636
485,248	2,123,013
<u>1,227,222</u>	<u>7,030,344</u>
<u>\$ 1,852,182</u>	<u>\$ 9,297,437</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2010***

Total Governmental Fund Balances \$ 7,030,344

***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. 29,925,346

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 543,512

Long-term liabilities, including bonds payable and interest, are not due
and payable in the current period and therefore are not reported in the funds. (4,534,862)

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. (142,352)

Net Assets of Governmental Funds \$ 32,821,988

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, 2010**

	<u>General</u>	<u>Fire Levy</u>	<u>Capital Improvement</u>			
Revenues:						
Taxes	\$ 5,069,187	\$ 489,306	\$ 109,364			
Intergovernmental Revenues	773,167	146,318	0			
Charges for Services	395,060	0	0			
Licenses and Permits	40,464	0	0			
Investment Earnings	158,364	412	0			
Fines and Forfeitures	62,351	0	0			
All Other Revenue	73,618	4,950	14,064			
Total Revenues	<u>6,572,211</u>	<u>640,986</u>	<u>123,428</u>			
Expenditures:						
Current:						
Security of Persons and Property	3,651,922	676,771	32,427			
Public Health and Welfare Services	55,500	0	0			
Leisure Time Activities	615,676	0	381,810			
Community Environment	248,970	0	0			
Basic Utility Services	0	0	399,949			
Transportation	0	0	233,957			
General Government	1,418,799	0	22,051			
Debt Service:						
Principal Retirement	0	0	0			
Interest and Fiscal Charges	0	0	0			
Total Expenditures	<u>5,990,867</u>	<u>676,771</u>	<u>1,070,194</u>			
Excess (Deficiency) of Revenues Over Expenditures				581,344	(35,785)	(946,766)
Other Financing Sources (Uses):						
Transfers In	0	0	93,500			
Transfers Out	(596,215)	0	(88,552)			
Total Other Financing Sources (Uses)	<u>(596,215)</u>	<u>0</u>	<u>4,948</u>			
Net Change in Fund Balances	(14,871)	(35,785)	(941,818)			
Fund Balances at Beginning of Year	3,775,455	341,737	2,681,880			
Increase (Decrease) in Inventory Reserve	(3,476)	0	0			
Fund Balances End of Year	<u>\$ 3,757,108</u>	<u>\$ 305,952</u>	<u>\$ 1,740,062</u>			

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 408,322	\$ 6,076,179
893,817	1,813,302
526,001	921,061
0	40,464
1,610	160,386
29,570	91,921
18,438	111,070
<u>1,877,758</u>	<u>9,214,383</u>
471,239	4,832,359
0	55,500
391,081	1,388,567
0	248,970
0	399,949
1,271,914	1,505,871
0	1,440,850
299,111	299,111
159,796	159,796
<u>2,593,141</u>	<u>10,330,973</u>
(715,383)	(1,116,590)
591,267	684,767
0	(684,767)
<u>591,267</u>	<u>0</u>
(124,116)	(1,116,590)
1,349,268	8,148,340
2,070	(1,406)
<u>\$ 1,227,222</u>	<u>\$ 7,030,344</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, 2010***

Net Change in Fund Balances - Total Governmental Funds \$ (1,116,590)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation. 1,160,307

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. (31,773)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 29,760

The repayment of principal of long-term debt consumes current financial resources of governmental funds, however it does not have an effect on net assets. 299,111

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,258

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. (37,841)

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. (24,374)

Change in Net Assets of Governmental Activities \$ 279,858

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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,139,085	\$ 5,032,085	\$ 5,041,599	\$ 9,514
Intergovernmental Revenue	574,961	794,461	812,250	17,789
Charges for Services	352,900	370,400	395,060	24,660
Licenses and Permits	13,300	34,300	40,464	6,164
Investment Earnings	220,000	149,000	174,294	25,294
Fines and Forfeitures	16,800	120,800	123,592	2,792
All Other Revenues	21,200	29,650	73,618	43,968
Total Revenues	<u>6,338,246</u>	<u>6,530,696</u>	<u>6,660,877</u>	<u>130,181</u>
Expenditures:				
Current:				
Security of Persons and Property	3,873,779	3,884,954	3,723,581	161,373
Public Health and Welfare Services	55,500	55,500	55,500	0
Leisure Time Activities	739,096	748,115	645,890	102,225
Community Environment	290,611	290,611	286,211	4,400
General Government	1,550,588	1,552,813	1,440,955	111,858
Total Expenditures	<u>6,509,574</u>	<u>6,531,993</u>	<u>6,152,137</u>	<u>379,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(171,328)	(1,297)	508,740	510,037
Other Financing Sources (Uses):				
Transfers Out	(570,700)	(596,215)	(596,215)	0
Total Other Financing Sources (Uses):	<u>(570,700)</u>	<u>(596,215)</u>	<u>(596,215)</u>	<u>0</u>
Net Change in Fund Balance	(742,028)	(597,512)	(87,475)	510,037
Fund Balance at Beginning of Year	3,127,972	3,127,972	3,127,972	0
Prior Year Encumbrances	114,612	114,612	114,612	0
Fund Balance at End of Year	<u>\$ 2,500,556</u>	<u>\$ 2,645,072</u>	<u>\$ 3,155,109</u>	<u>\$ 510,037</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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 485,414	\$ 485,414	\$ 489,306	\$ 3,892
Intergovernmental Revenue	149,447	149,082	146,318	(2,764)
Investment Earnings	900	900	412	(488)
Total Revenues	<u>635,761</u>	<u>635,396</u>	<u>636,036</u>	<u>640</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>722,879</u>	<u>724,879</u>	<u>682,126</u>	<u>42,753</u>
Total Expenditures	<u>722,879</u>	<u>724,879</u>	<u>682,126</u>	<u>42,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(87,118)	(89,483)	(46,090)	43,393
Other Financing Sources (Uses):				
Sale of Capital Assets	<u>65</u>	<u>2,065</u>	<u>4,950</u>	<u>2,885</u>
Total Other Financing Sources (Uses):	<u>65</u>	<u>2,065</u>	<u>4,950</u>	<u>2,885</u>
Net Change in Fund Balance	(87,053)	(87,418)	(41,140)	46,278
Fund Balance at Beginning of Year	379,065	379,065	379,065	0
Prior Year Encumbrances	<u>14,689</u>	<u>14,689</u>	<u>14,689</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 306,701</u>	<u>\$ 306,336</u>	<u>\$ 352,614</u>	<u>\$ 46,278</u>

See accompanying notes to the basic financial statements



CITY OF HEATH, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2010**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 1,349,508	\$ 1,284,233	\$ 2,633,741	\$ 11,919
Investments	0	1,846,588	1,846,588	0
Receivables:				
Accounts	205,746	289,913	495,659	0
Intergovernmental	0	266,585	266,585	0
Inventory of Supplies at Cost	30,031	6,047	36,078	0
Prepaid Items	14,075	22,265	36,340	0
Total current assets	<u>1,599,360</u>	<u>3,715,631</u>	<u>5,314,991</u>	<u>11,919</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	305,427	772,842	1,078,269	0
Depreciable Capital Assets, Net	<u>9,589,745</u>	<u>7,826,720</u>	<u>17,416,465</u>	<u>0</u>
Total noncurrent assets	<u>9,895,172</u>	<u>8,599,562</u>	<u>18,494,734</u>	<u>0</u>
Total Assets	<u>11,494,532</u>	<u>12,315,193</u>	<u>23,809,725</u>	<u>11,919</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	30,999	62,244	93,243	0
Accrued Wages and Benefits Payable	15,127	17,418	32,545	0
Claims Payable	0	0	0	186,159
Accrued Interest Payable	17,141	0	17,141	0
General Obligation Notes Payable	1,100,000	0	1,100,000	0
General Obligation Bonds Payable - Current	200,000	0	200,000	0
OWDA Loans Payable - Current	0	629,123	629,123	0
OPWC Loans Payable - Current	0	3,476	3,476	0
Compensated Absences Payable - Current	<u>16,748</u>	<u>19,892</u>	<u>36,640</u>	<u>0</u>
Total current liabilities	<u>1,380,015</u>	<u>732,153</u>	<u>2,112,168</u>	<u>186,159</u>

CITY OF HEATH, OHIO

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
Noncurrent liabilities:				
General Obligation Bonds Payable	1,520,000	0	1,520,000	0
OWDA Loans Payable	0	3,489,414	3,489,414	0
OPWC Loans Payable	0	93,828	93,828	0
Compensated Absences Payable	22,342	64,370	86,712	0
Total noncurrent liabilities	<u>1,542,342</u>	<u>3,647,612</u>	<u>5,189,954</u>	<u>0</u>
Total Liabilities	<u>2,922,357</u>	<u>4,379,765</u>	<u>7,302,122</u>	<u>186,159</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	7,075,172	4,383,721	11,458,893	0
Unrestricted	<u>1,497,003</u>	<u>3,551,707</u>	<u>5,048,710</u>	<u>(174,240)</u>
Total net assets	<u>\$ 8,572,175</u>	<u>\$ 7,935,428</u>	<u>16,507,603</u>	<u>\$ (174,240)</u>
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(31,888)
			Net Assets of Business-type Activities	<u>\$ 16,475,715</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, 2010**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds		Total Enterprise Funds	
	Water	Sewer		
Operating Revenues:				
Charges for Services	\$ 1,616,586	\$ 2,277,304	\$ 3,893,890	\$ 830,000
Other Operating Revenue	3,327	3,708	7,035	145,027
Total Operating Revenues	<u>1,619,913</u>	<u>2,281,012</u>	<u>3,900,925</u>	<u>975,027</u>
Operating Expenses:				
Personal Services	604,270	607,321	1,211,591	0
Contractual Services	281,461	639,144	920,605	0
Materials and Supplies	236,217	113,123	349,340	0
Health Claims Expense	0	0	0	1,004,892
Depreciation	355,330	433,347	788,677	0
Total Operating Expenses	<u>1,477,278</u>	<u>1,792,935</u>	<u>3,270,213</u>	<u>1,004,892</u>
Operating Income (Loss)	142,635	488,077	630,712	(29,865)
Non-operating Revenue (Expenses):				
Investment Earnings	647	14,311	14,958	0
Interest and Fiscal Charges	(61,076)	(133,349)	(194,425)	0
Loss on Disposal of Capital Assets	(63)	0	(63)	0
Total Non-operating Revenues (Expenses)	<u>(60,492)</u>	<u>(119,038)</u>	<u>(179,530)</u>	<u>0</u>
Income (Loss) Before Transfers and Contributions	82,143	369,039	451,182	(29,865)
Capital Contributions	563,705	0	563,705	0
Change in Net Assets	645,848	369,039	1,014,887	(29,865)
Net Assets Beginning of Year	<u>7,926,327</u>	<u>7,566,389</u>	<u>15,492,716</u>	<u>(144,375)</u>
Net Assets End of Year	<u>\$ 8,572,175</u>	<u>\$ 7,935,428</u>	<u>16,507,603</u>	<u>\$ (174,240)</u>
			Change in Net Assets - Total Enterprise Funds	1,014,887
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(5,491)
			Change in Net Assets - Business-type Activities	<u>\$ 1,009,396</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, 2010**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,611,848	\$2,291,787	\$3,903,635	\$830,000
Cash Payments for Goods and Services	(491,011)	(767,794)	(1,258,805)	(983,035)
Cash Payments to Employees	(627,098)	(617,797)	(1,244,895)	0
Other Operating Cash Receipts	3,327	3,708	7,035	145,027
Net Cash Provided (Used) by Operating Activities	<u>497,066</u>	<u>909,904</u>	<u>1,406,970</u>	<u>(8,008)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(195,000)	0	(195,000)	0
Issuance of General Obligation Note Payable	1,100,000	0	1,100,000	0
Acquisition and Construction of Assets	(1,038,714)	(722,058)	(1,760,772)	0
Principal Paid on Ohio Water Development Authority Loans	0	(665,048)	(665,048)	0
Principal Paid on Ohio Public Works Commission Loans	0	(3,476)	(3,476)	0
Receipt of Ohio Water Development Authority Loans	0	1,084,926	1,084,926	0
Interest Paid on All Debt	(47,975)	(133,349)	(181,324)	0
Net Cash Used for Capital and Related Financing Activities	<u>(181,689)</u>	<u>(439,005)</u>	<u>(620,694)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	439,112	439,112	0
Receipts of Interest	647	16,352	16,999	0
Net Cash Provided by Investing Activities	<u>647</u>	<u>455,464</u>	<u>456,111</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	316,024	926,363	1,242,387	(8,008)
Cash and Cash Equivalents at Beginning of Year	1,033,484	357,870	1,391,354	19,927
Cash and Cash Equivalents at End of Year	<u>\$1,349,508</u>	<u>\$1,284,233</u>	<u>\$2,633,741</u>	<u>\$11,919</u>

CITY OF HEATH, OHIO

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$142,635	\$488,077	\$630,712	(\$29,865)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	355,330	433,347	788,677	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(4,738)	14,483	9,745	0
Decrease in Inventory	20,951	2,880	23,831	0
Decrease in Prepaid Items	4,804	4,110	8,914	0
Increase (Decrease) in Accounts Payable	1,860	(22,265)	(20,405)	0
Increase in Health Claims Payable	0	0	0	21,857
Decrease in Accrued Wages and Benefits Payable	(8,271)	(8,450)	(16,721)	0
Decrease in Intergovernmental Payable	(948)	(252)	(1,200)	0
Decrease in Compensated Absences Payable	(14,557)	(2,026)	(16,583)	0
Total Adjustments	354,431	421,827	776,258	21,857
Net Cash Provided (Used) by Operating Activities	\$497,066	\$909,904	\$1,406,970	(\$8,008)

Schedule of Noncash Investing, Capital and Financing Activities:

During 2010, the fair value of investments reported in the Sewer Fund decreased by \$2,041. During 2010 the Water Fund received \$563,705 of contributed capital assets. At December 31, 2010 the Sewer Fund had an outstanding receivable for \$266,585 from OWDA for work already completed.

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

***Statement of Net Assets
Fiduciary Fund
December 31, 2010***

	<u>Private Purpose Trust</u>
Assets:	
Cash and Cash Equivalents	\$ 4,853
Total Assets	<u>4,853</u>
Liabilities:	
Total Liabilities	<u>0</u>
Net Assets:	
Unrestricted	4,853
Total Net Assets	<u>\$ 4,853</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, 2010***

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

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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, 2010 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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, 2010***

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, 2010***

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, 2010 but which are not intended to finance 2010 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, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

E. Budgetary Process

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

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

1. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2010.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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 2010, 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, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	(\$14,871)	(\$35,785)
Increase (Decrease):		
Accrued Revenues at December 31, 2010 received during 2011	(592,102)	0
Accrued Revenues at December 31, 2009 received during 2010	680,768	0
Accrued Expenditures at December 31, 2010 paid during 2011	179,972	50,675
Accrued Expenditures at December 31, 2009 paid during 2010	(272,970)	(53,208)
2010 Prepays for 2011	(55,752)	(1,120)
2009 Prepays for 2010	66,443	1,191
Outstanding Encumbrances	(78,963)	(2,893)
Budget Basis	<u>(\$87,475)</u>	<u>(\$41,140)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2010, cash and cash equivalents included amounts in demand deposits, certificates of deposit, U.S. Treasury Money Market accounts in Fifth-Third and Merrill Lynch investment accounts and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. (See Note 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, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

The City has invested funds in the STAR Ohio during 2010. 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, 2010.

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, 2010, 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, 2010***

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, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

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

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

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

K. Long-Term Obligations

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

M. Restricted Assets

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

N. Pensions

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

O. Operating Revenues and Expenses

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Self-Funded Insurance

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Flows of cash or goods from one fund to another with a requirement for repayment are reported as Interfund Loans Receivable/Payable. There were no outstanding interfund loans at December 31, 2010. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

R. Reservations of Fund Balance and Designations

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. In addition, the City has designated a General Fund amount for future years' expenditures for the purpose of budget stabilization, as permitted by Ohio Revised Code Section 5705.13.

S. Net Assets

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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	\$109,611
Delinquent Property Tax Revenue	57,385
Shared Revenues	<u>376,516</u>
	<u>\$543,512</u>

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$3,735,000)
Capital Leases Payable	(5,371)
Accrued Interest on Long-Term Debt	(12,697)
Compensated Absences Payable	<u>(781,794)</u>
	<u>(\$4,534,862)</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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	\$2,359,704
Depreciation Expense	(1,199,397)
	<u>\$1,160,307</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$2,831
Increase in Delinquent Property Tax	3,644
Increase in Shared Revenue	23,285
	<u>\$29,760</u>

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

General Obligation Bond Principal	\$280,000
Capital Lease Payments	19,111
	<u>\$299,111</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$36,435)
Decrease in supplies inventory	(1,406)
	<u>(\$37,841)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Fund Deficits

The fund deficits at December 31, 2010 of \$62,728 in the Fire Pension Fund, of \$69,380 in the Police Pension Fund (special revenue funds) and of \$174,240 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.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Time certificates of deposit or savings or deposit accounts including, but not limited to passbook accounts;
- Bonds and other obligations of the State of Ohio or Ohio local governments;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The City has no policy on custodial credit risk and is governed by Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$6,308,360 and the bank balance was \$6,554,449. 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>\$5,804,449</u>
Total Balance	<u><u>\$5,804,449</u></u>

B. Investments

The City's investments at December 31, 2010 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
STAR Ohio	\$962,040	AAAm ¹	\$962,040	\$0	\$0
FNMA	791,166	AAA ¹	0	102,400	688,766
FHLB	1,438,656	AAA ¹	0	599,843	838,813
FHLMC	1,065,067	AAA ¹	0	74,577	990,490
FFCB	272,968	AAA ¹	0	0	272,968
FICO Strips	170,439	AAA ¹	0	170,439	0
FFC	50,603	AAA ¹	0	0	50,603
Total Investments	<u><u>\$4,750,939</u></u>		<u><u>\$962,040</u></u>	<u><u>\$947,259</u></u>	<u><u>\$2,841,640</u></u>

¹ Standard & Poor's

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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

B. Investments (Continued)

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

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 16.7% are FNMA, 30.3% are FHLB, 22.4% are FHLMC, 20.2% are STAR Ohio, 5.8% are FFCB, 3.6% are FICO Strips and 1% are FFC.

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

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$79,359 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per GASB Statement No. 9	\$5,207,056	\$5,852,243
Certificates of Deposit (with maturities of more than 3 months)	2,063,344	(2,063,344)
Investments:		
STAR Ohio	(962,040)	962,040
Per GASB Statement No. 3	<u>\$6,308,360</u>	<u>\$4,750,939</u>

* Does not include cash with fiscal agent.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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 2010 were levied after October 1, 2009 on assessed values as of January 1, 2009, 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 2009. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on values as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold governments harmless by replacing a portion of the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2012, the City will be fully reimbursed for the lost revenue. In calendar years 2013-2017, the reimbursements will be phased out.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2010 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2010 levy was based was \$264,895,150. This amount constitutes \$258,951,360 in real property assessed value and \$5,943,790 in public utility assessed.

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the General Fund, Fire Levy Fund, Fire Pension Fund and Police Pension Fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Tax

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

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2010 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2010:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities:		
General Fund	\$0	\$596,215
Capital Improvement Fund	93,500	88,552
Other Governmental Funds	591,267	0
Totals	<u>\$684,767</u>	<u>\$684,767</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 7 – TRANSFERS (Continued)

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

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2010:

<i>Historical Cost:</i>				
Class	December 31, 2009	Additions	Deletions	December 31, 2010
Non-Depreciable Capital Assets:				
Land	\$10,075,521	\$0	\$0	\$10,075,521
Construction in Progress	529,247	115,920	(529,247)	115,920
Subtotal	10,604,768	115,920	(529,247)	10,191,441
Depreciable Capital Assets:				
Buildings	4,929,241	1,497,923	0	6,427,164
Improvements other than Buildings	3,526,487	284,000	(1,559)	3,808,928
Machinery and Equipment	5,993,183	382,438	(299,930)	6,075,691
Infrastructure	19,746,524	608,670	(234,238)	20,120,956
Subtotal	34,195,435	2,773,031	(535,727)	36,432,739
Total Cost	\$44,800,203	\$2,888,951	(\$1,064,974)	\$46,624,180
Accumulated Depreciation:				
Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(\$2,380,600)	(\$133,603)	\$0	(\$2,514,203)
Improvements other than Buildings	(1,354,758)	(173,111)	1,559	(1,526,310)
Machinery and Equipment	(4,282,320)	(223,904)	289,451	(4,216,773)
Infrastructure	(7,985,713)	(668,779)	212,944	(8,441,548)
Total Depreciation	(\$16,003,391)	(\$1,199,397) *	\$503,954	(\$16,698,834)
Net Value:	\$28,796,812			\$29,925,346

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$197,741
Leisure Time Activities	244,655
Community Environment	1,270
Transportation	730,231
General Government	25,500
Total Depreciation Expense	\$1,199,397

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2010:

Historical Cost:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Non-Depreciable Capital Assets:				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	37,362	680,895	(37,362)	680,895
Subtotal	434,736	680,895	(37,362)	1,078,269
Depreciable Capital Assets:				
Buildings	12,693,862	0	0	12,693,862
Improvements Other Than Buildings	1,515,418	0	0	1,515,418
Machinery and Equipment	5,332,514	122,894	(4,500)	5,450,908
Infrastructure	15,067,320	1,558,050	0	16,625,370
Subtotal	34,609,114	1,680,944	(4,500)	36,285,558
Total Cost	\$35,043,850	\$2,361,839	(\$41,862)	\$37,363,827

Accumulated Depreciation:

Class	December 31, 2009	Additions	Deletions	December 31, 2010
Buildings	(\$5,316,941)	(\$309,358)	\$0	(\$5,626,299)
Improvements Other Than Buildings	(903,304)	(74,422)	0	(977,726)
Machinery and Equipment	(4,275,316)	(123,407)	4,437	(4,394,286)
Infrastructure	(7,589,292)	(281,490)	0	(7,870,782)
Total Depreciation	(\$18,084,853)	(\$788,677)	\$4,437	(\$18,869,093)
Net Value:	\$16,958,997			\$18,494,734

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

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 2010, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2010 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 8.5% from January 1 through February 28, 2010 and 9.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 9.27% from January 1 through February 28, 2010, and 9.77% from March 1 through December 31, 2010. The contribution

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2010, 2009, and 2008 were \$204,533, \$232,434 and \$172,958, respectively, which were equal to the required contributions for each year. Contributions to the member-directed plan for 2010 were \$1,245 made by the City and \$889 made by the plan members.

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 2010, 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, 2010, 2009, and 2008 were \$154,306, \$142,978 and \$144,495 for police and \$169,623, \$198,150 and \$169,985 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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 2010, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. 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, 2010, 2009, and 2008 were \$138,628, \$168,067 and \$172,958, 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, 2010***

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 2010, 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, 2010, 2009, and 2008 were \$81,691, \$75,694 and \$76,498 for police and \$66,374, \$77,537 and \$66,516 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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, 2010, the City's accumulated, unpaid compensated absences amounted to \$905,146. Of this amount, \$781,794 is recorded as Governmental Activities on the Entity Wide Statement of Net Assets (\$57,620 is reported as due within one year), \$123,352 is recorded as Business-type activities (\$36,640 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, 2010 were as follows:

	Original Liability		Balance December 31, 2009	Additions	(Reductions)	Balance December 31, 2010	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
4.25 - 5.05% Swimming Pool Improvement	1,850,000	2022	\$1,365,000	\$0	(\$80,000)	\$1,285,000	\$85,000
3.00 - 5.00% State Route 79 Improvement	2,035,000	2023	1,560,000	0	(85,000)	1,475,000	90,000
1.20 - 3.50% Fire Station Refunding	1,195,000	2018	1,090,000	0	(115,000)	975,000	110,000
Total General Obligation Bonds			4,015,000	0	(280,000)	3,735,000	285,000
Capital Leases	89,348		24,482	0	(19,111)	5,371	5,371
Compensated Absences			745,359	88,575	(52,140)	781,794	57,620
Total Governmental Long-Term Debt			\$4,784,841	\$88,575	(\$351,251)	\$4,522,165	\$347,991
Business Type Activities:							
General Obligation Bond:							
1.20 - 3.50% Water Refunding	2,100,000	2018	\$1,915,000	\$0	(\$195,000)	\$1,720,000	\$200,000
Total General Obligation Bonds			1,915,000	0	(195,000)	1,720,000	200,000
Ohio Water Development Authority Loans:							
5.00% Loan SRF-112	6,558,290	2012	982,922	0	(479,283)	503,639	503,639
5.00% Loan SRF-114	1,668,457	2010	64,869	0	(64,869)	0	0
3.76% Loan SRF-4011	2,757,604	2024	2,384,283	0	(120,896)	2,263,387	125,484
3.25% Loan SRF-5657	4,110,016	2032	0	1,351,511	0	1,351,511	0
Total OWDA Loans			3,432,074	1,351,511	(665,048)	4,118,537	629,123
0.00% OPWC Loan Payable	104,256	2038	100,780	0	(3,476)	97,304	3,476
Compensated Absences			139,935	4,407	(20,990)	123,352	36,640
Total Business Type Long-Term Debt			\$5,587,789	\$1,355,918	(\$884,514)	\$6,059,193	\$869,239

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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

Principal and interest requirements to retire long-term debt outstanding at December 31, 2010 were as follows:

Years	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$285,000	\$150,280	\$200,000	\$44,575
2012	290,000	141,984	205,000	42,175
2013	300,000	132,485	205,000	38,075
2014	315,000	122,284	210,000	33,462
2015	325,000	111,062	215,000	28,212
2016-2020	1,535,000	357,735	685,000	46,226
2021-2024	685,000	61,460	0	0
Totals	<u>\$3,735,000</u>	<u>\$1,077,290</u>	<u>\$1,720,000</u>	<u>\$232,725</u>

Years	OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest
2011	\$629,123	\$102,798	\$3,476	\$0
2012	130,247	79,173	3,476	0
2013	135,191	74,229	3,476	0
2014	140,321	69,098	3,476	0
2015	145,647	63,772	3,476	0
2016-2020	815,466	231,626	17,380	0
2021-2025	771,031	66,645	17,380	0
2026-2030	1,351,511	43,924	17,380	0
2031-2035	0	0	17,380	0
2036-2038	0	0	10,404	0
Totals	<u>\$4,118,537</u>	<u>\$731,265</u>	<u>\$97,304</u>	<u>\$0</u>

A. Defeased Debt

In September 2009, the City refunded \$1,150,000 of General Obligation Bonds for Fire Station Improvements, through the issuance of \$1,195,000 of General Obligation Bonds. The net proceeds of the 2010 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$955,000 at December 31, 2010, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

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

A. Defeased Debt (Continued)

In September 2009, the City refunded \$2,025,000 of General Obligation Bonds for Water Improvements, through the issuance of \$2,100,000 of General Obligation Bonds. The net proceeds of the 2010 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,695,000 at December 31, 2010, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

B. OWDA Loans

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

C. OPWC Loans

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

NOTE 13 - CAPITAL LEASES

The City leases a pick-up truck. The cost of the equipment obtained under the lease agreement (\$24,610) is included in the Governmental Activities capital assets as machinery and equipment. The liability for this lease is recorded on the Statement of Net Assets as due within 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, 2010:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2011	<u>\$5,622</u>
Minimum Lease Payments	5,622
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(251)</u>
Present value of minimum lease payments	<u><u>\$5,371</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 14 - RISK MANAGEMENT

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

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

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 \$186,159 reported in the fund at December 31, 2010 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 2009 and 2010 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>
2009	\$91,697	\$853,348	(\$780,743)	\$164,302
2010	164,302	1,004,892	(983,035)	186,159

CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2010**

NOTE 15 - CONTINGENCIES

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

NOTE 16 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2010, the City had the following significant contractual commitments outstanding:

<u>Project</u>	<u>Remaining Contractual Commitment</u>
WW Phase I Improvements	\$2,756,726
SR 79 Improvement Project (City's Share)	616,950
Total	<u>\$3,373,676</u>

NOTE 17 – FUND RECLASSIFICATION

The Conn Memorial Trust Fund was reclassified from a Permanent Fund to a Special Revenue Fund during 2010. The reclassification did not result in any changes to the basic financial statements as the amounts remain reported as Other Governmental Funds on the Governmental Fund statements and as Governmental Activities on the entity-wide financial statements.

NOTE 18 - NOTES PAYABLE

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

<u>General Obligation Notes:</u>	<u>Balance December 31, 2009</u>	<u>Issued</u>	<u>(Retired)</u>	<u>Balance December 31, 2010</u>
Water Fund:				
1.50% Water Tank Note	<u>\$0</u>	<u>\$1,100,000</u>	<u>\$0</u>	<u>\$1,100,000</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2010***

NOTE 19 – SUBSEQUENT EVENT

In May 2011, the City issued \$1,325,000 in Swimming Pool Refunding Bonds to retire the \$1,285,000 swimming pool improvement bonds outstanding at December 31, 2010 with a final maturity of 2022.



*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. (The Statement of Revenues, Expenditures and Changes in Fund Balances is not presented because there was no activity during the year. This fund only exists on a GAAP basis and is not part of the City's appropriated budget, therefore no budgetary schedule is presented)

Swimming Pool Fund

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

Municipal Motor Vehicle License Tax Fund

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

Fire Pension Fund

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

Police Pension Fund

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

Law Enforcement Trust Fund

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

Police Professional Training Fund

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

(Continued)

Special Revenue Funds

Enforcement and Education Fund

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

D.A.R.E. Fund

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

Conn Memorial Trust Fund

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

Debt Service Fund

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

General Obligation Debt Service Fund

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

Capital Projects Funds

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.

Irving Wick Drive Improvement Fund

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

Paving Fund

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

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2010**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 570,151	\$ 483,641	\$ 104,989	\$ 1,158,781
Investments	65,332	0	0	65,332
Receivables:				
Taxes	165,768	0	35,770	201,538
Intergovernmental	286,505	1,607	0	288,112
Inventory of Supplies, at Cost	53,112	0	0	53,112
Prepaid Items	5,948	0	0	5,948
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	79,359	0	0	79,359
Total Assets	\$ 1,226,175	\$ 485,248	\$ 140,759	\$ 1,852,182
Liabilities:				
Accounts Payable	\$ 23,561	\$ 0	\$ 0	\$ 23,561
Accrued Wages and Benefits Payable	155,321	0	0	155,321
Intergovernmental Payable	114	0	0	114
Deferred Revenue	440,157	0	5,807	445,964
Total Liabilities	619,153	0	5,807	624,960
Fund Balances:				
Reserved for Encumbrances	24,312	0	0	24,312
Reserved for Prepaid Items	5,948	0	0	5,948
Reserved for Supplies Inventory	53,112	0	0	53,112
Reserved for Debt Service	0	0	134,952	134,952
Undesignated/Unreserved	523,650	485,248	0	1,008,898
Total Fund Balances	607,022	485,248	134,952	1,227,222
Total Liabilities and Fund Balances	\$ 1,226,175	\$ 485,248	\$ 140,759	\$ 1,852,182

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2010**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 145,233	\$ 0	\$ 263,089	\$ 408,322
Intergovernmental Revenues	646,240	247,577	0	893,817
Charges for Services	526,001	0	0	526,001
Investment Earnings	1,610	0	0	1,610
Fines and Forfeitures	29,570	0	0	29,570
All Other Revenue	18,438	0	0	18,438
Total Revenue	<u>1,367,092</u>	<u>247,577</u>	<u>263,089</u>	<u>1,877,758</u>
Expenditures:				
Current:				
Security of Persons and Property	471,239	0	0	471,239
Leisure Time Activities	391,081	0	0	391,081
Transportation	943,943	327,971	0	1,271,914
Debt Service:				
Principal Retirement	99,111	0	200,000	299,111
Interest and Fiscal Charges	66,496	0	93,300	159,796
Total Expenditures	<u>1,971,870</u>	<u>327,971</u>	<u>293,300</u>	<u>2,593,141</u>
Excess (Deficiency) of Revenues Over Expenditures	(604,778)	(80,394)	(30,211)	(715,383)
Other Financing Sources (Uses):				
Transfers In	502,715	88,552	0	591,267
Total Other Financing Sources (Uses)	<u>502,715</u>	<u>88,552</u>	<u>0</u>	<u>591,267</u>
Net Change in Fund Balance	(102,063)	8,158	(30,211)	(124,116)
Fund Balances at Beginning of Year	707,015	477,090	165,163	1,349,268
Increase in Inventory Reserve	2,070	0	0	2,070
Fund Balances End of Year	<u>\$ 607,022</u>	<u>\$ 485,248</u>	<u>\$ 134,952</u>	<u>\$ 1,227,222</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2010**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax
Assets:					
Cash and Cash Equivalents	\$ 120,763	\$ 112,274	\$ 0	\$ 15,449	\$ 192,067
Investments	0	0	0	0	0
Receivables:					
Taxes	0	0	0	0	0
Intergovernmental	181,463	28,653	0	0	69,488
Inventory of Supplies, at Cost	50,640	0	0	2,472	0
Prepaid Items	3,014	0	0	2,934	0
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	79,359	0	0
Total Assets	<u>\$ 355,880</u>	<u>\$ 140,927</u>	<u>\$ 79,359</u>	<u>\$ 20,855</u>	<u>\$ 261,555</u>
Liabilities:					
Accounts Payable	\$ 21,550	\$ 1,335	\$ 0	\$ 536	\$ 0
Accrued Wages and Benefits Payable	13,921	0	0	3,986	0
Intergovernmental Payable	0	0	0	0	0
Deferred Revenue	120,976	20,941	79,359	0	46,325
Total Liabilities	<u>156,447</u>	<u>22,276</u>	<u>79,359</u>	<u>4,522</u>	<u>46,325</u>
Fund Balances:					
Reserved for Encumbrances	7,609	0	0	0	0
Reserved for Prepaid Items	3,014	0	0	2,934	0
Reserved for Supplies Inventory	50,640	0	0	2,472	0
Undesignated/Unreserved	138,170	118,651	0	10,927	215,230
Total Fund Balances	<u>199,433</u>	<u>118,651</u>	<u>0</u>	<u>16,333</u>	<u>215,230</u>
Total Liabilities and Fund Balances	<u>\$ 355,880</u>	<u>\$ 140,927</u>	<u>\$ 79,359</u>	<u>\$ 20,855</u>	<u>\$ 261,555</u>

CITY OF HEATH, OHIO

Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education	D.A.R.E.	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
\$ 2,088	\$ 3,218	\$ 69,214	\$ 1,876	\$ 21,334	\$ 10,112	\$ 21,756	\$ 570,151
0	0	0	0	0	0	65,332	65,332
82,884	82,884	0	0	0	0	0	165,768
3,394	3,394	0	0	113	0	0	286,505
0	0	0	0	0	0	0	53,112
0	0	0	0	0	0	0	5,948
0	0	0	0	0	0	0	79,359
<u>\$ 88,366</u>	<u>\$ 89,496</u>	<u>\$ 69,214</u>	<u>\$ 1,876</u>	<u>\$ 21,447</u>	<u>\$ 10,112</u>	<u>\$ 87,088</u>	<u>\$ 1,226,175</u>
\$ 0	\$ 0	\$ 140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,561
64,816	72,598	0	0	0	0	0	155,321
0	0	114	0	0	0	0	114
86,278	86,278	0	0	0	0	0	440,157
<u>151,094</u>	<u>158,876</u>	<u>254</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>619,153</u>
0	0	16,666	0	0	37	0	24,312
0	0	0	0	0	0	0	5,948
0	0	0	0	0	0	0	53,112
(62,728)	(69,380)	52,294	1,876	21,447	10,075	87,088	523,650
(62,728)	(69,380)	68,960	1,876	21,447	10,112	87,088	607,022
<u>\$ 88,366</u>	<u>\$ 89,496</u>	<u>\$ 69,214</u>	<u>\$ 1,876</u>	<u>\$ 21,447</u>	<u>\$ 10,112</u>	<u>\$ 87,088</u>	<u>\$ 1,226,175</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2010**

	Street Construction, Maintenance and Repair	State Highway	Swimming Pool	Municipal Motor Vehicle License Tax	Fire Pension
Revenues:					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 72,616
Intergovernmental Revenues	420,531	36,905	0	150,640	19,082
Charges for Services	600	0	518,083	0	0
Investment Earnings	0	0	0	0	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	709	0	5,614	0	0
Total Revenue	<u>421,840</u>	<u>36,905</u>	<u>523,697</u>	<u>150,640</u>	<u>91,698</u>
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	196,358
Leisure Time Activities	0	0	391,081	0	0
Transportation	854,180	32,563	0	57,200	0
Debt Service:					
Principal Retirement	19,111	0	80,000	0	0
Interest and Fiscal Charges	1,054	0	65,442	0	0
Total Expenditures	<u>874,345</u>	<u>32,563</u>	<u>536,523</u>	<u>57,200</u>	<u>196,358</u>
Excess (Deficiency) of Revenues Over Expenditures	(452,505)	4,342	(12,826)	93,440	(104,660)
Other Financing Sources (Uses):					
Transfers In	275,000	0	25,515	0	71,100
Total Other Financing Sources (Uses)	<u>275,000</u>	<u>0</u>	<u>25,515</u>	<u>0</u>	<u>71,100</u>
Net Change in Fund Balance	(177,505)	4,342	12,689	93,440	(33,560)
Fund Balances (Deficit) at Beginning of Year	375,105	114,309	3,407	121,790	(29,168)
Increase in Inventory Reserve	1,833	0	237	0	0
Fund Balances (Deficit) End of Year	<u>\$ 199,433</u>	<u>\$ 118,651</u>	<u>\$ 16,333</u>	<u>\$ 215,230</u>	<u>\$ (62,728)</u>

CITY OF HEATH, OHIO

<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>Conn Memorial Trust</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 72,617	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 145,233
19,082	0	0	0	0	0	646,240
0	5,108	0	0	0	2,210	526,001
0	0	0	0	0	1,610	1,610
0	27,125	0	2,445	0	0	29,570
0	9,980	480	0	1,655	0	18,438
<u>91,699</u>	<u>42,213</u>	<u>480</u>	<u>2,445</u>	<u>1,655</u>	<u>3,820</u>	<u>1,367,092</u>
238,087	34,376	0	0	2,418	0	471,239
0	0	0	0	0	0	391,081
0	0	0	0	0	0	943,943
0	0	0	0	0	0	99,111
0	0	0	0	0	0	66,496
<u>238,087</u>	<u>34,376</u>	<u>0</u>	<u>0</u>	<u>2,418</u>	<u>0</u>	<u>1,971,870</u>
(146,388)	7,837	480	2,445	(763)	3,820	(604,778)
<u>131,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>502,715</u>
<u>131,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>502,715</u>
(15,288)	7,837	480	2,445	(763)	3,820	(102,063)
(54,092)	61,123	1,396	19,002	10,875	83,268	707,015
0	0	0	0	0	0	2,070
<u>\$ (69,380)</u>	<u>\$ 68,960</u>	<u>\$ 1,876</u>	<u>\$ 21,447</u>	<u>\$ 10,112</u>	<u>\$ 87,088</u>	<u>\$ 607,022</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2010**

	<u>County Road</u>	<u>Irvingwick Drive Improvement</u>	<u>Paving</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 475,573	\$ 1,517	\$ 6,551	\$ 483,641
Receivables:				
Intergovernmental	0	0	1,607	1,607
Total Assets	<u>\$ 475,573</u>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 485,248</u>
Liabilities:				
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:				
Undesignated/Unreserved	475,573	1,517	8,158	485,248
Total Fund Balances	<u>475,573</u>	<u>1,517</u>	<u>8,158</u>	<u>485,248</u>
Total Liabilities and Fund Balances	<u>\$ 475,573</u>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 485,248</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2010**

	County Road	Irvingwick Drive Improvement	Paving	Total Nonmajor Capital Project Funds
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 247,577	\$ 247,577
Total Revenue	<u>0</u>	<u>0</u>	<u>247,577</u>	<u>247,577</u>
Expenditures:				
Current:				
Transportation	0	0	327,971	327,971
Total Expenditures	<u>0</u>	<u>0</u>	<u>327,971</u>	<u>327,971</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(80,394)	(80,394)
Other Financing Sources (Uses):				
Transfers In	0	0	88,552	88,552
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>88,552</u>	<u>88,552</u>
Net Change in Fund Balance	0	0	8,158	8,158
Fund Balances at Beginning of Year	<u>475,573</u>	<u>1,517</u>	<u>0</u>	<u>477,090</u>
Fund Balances End of Year	<u>\$ 475,573</u>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 485,248</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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,139,085	\$ 5,032,085	\$ 5,041,599	\$ 9,514
Intergovernmental Revenues	574,961	794,461	812,250	17,789
Charges for Services	352,900	370,400	395,060	24,660
Licenses and Permits	13,300	34,300	40,464	6,164
Investment Earnings	220,000	149,000	174,294	25,294
Fines and Forfeitures	16,800	120,800	123,592	2,792
All Other Revenues	21,200	29,650	73,618	43,968
Total Revenues	<u>6,338,246</u>	<u>6,530,696</u>	<u>6,660,877</u>	<u>130,181</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,587,126	1,587,126	1,561,369	25,757
Materials and Supplies	61,625	61,625	58,249	3,376
Contractual Services	151,395	151,395	117,818	33,577
Capital Outlay	58,282	58,282	57,582	700
Total Police	<u>1,858,428</u>	<u>1,858,428</u>	<u>1,795,018</u>	<u>63,410</u>
Communications:				
Personal Services	530,376	530,376	519,344	11,032
Contractual Services	35,850	35,850	34,845	1,005
Total Communications	<u>566,226</u>	<u>566,226</u>	<u>554,189</u>	<u>12,037</u>
Fire:				
Personal Services	1,164,011	1,164,011	1,103,523	60,488
Materials and Supplies	72,610	73,785	69,791	3,994
Contractual Services	131,004	141,004	120,402	20,602
Capital Outlay	500	500	0	500
Total Fire	<u>1,368,125</u>	<u>1,379,300</u>	<u>1,293,716</u>	<u>85,584</u>
Street Lighting:				
Contractual Services	81,000	81,000	80,658	342
Total Street Lighting	<u>81,000</u>	<u>81,000</u>	<u>80,658</u>	<u>342</u>
Total Security of Persons and Property	<u>3,873,779</u>	<u>3,884,954</u>	<u>3,723,581</u>	<u>161,373</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	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	430,044	430,044	418,894	11,150
Materials and Supplies	47,436	47,436	30,841	16,595
Contractual Services	228,033	237,052	170,073	66,979
Other Expenditures	55	55	55	0
Capital Outlay	33,528	33,528	26,027	7,501
Total Leisure Time Activities	<u>739,096</u>	<u>748,115</u>	<u>645,890</u>	<u>102,225</u>
Community Environment:				
Planning and Zoning:				
Personal Services	159,133	159,133	157,809	1,324
Materials and Supplies	3,900	3,900	2,839	1,061
Contractual Services	120,858	120,858	119,563	1,295
Other Expenditures	720	720	0	720
Capital Outlay	6,000	6,000	6,000	0
Total Community Environment	<u>290,611</u>	<u>290,611</u>	<u>286,211</u>	<u>4,400</u>
General Government:				
Mayor:				
Personal Services	92,442	92,442	92,415	27
Materials and Supplies	1,200	1,200	1,173	27
Contractual Services	4,160	4,160	1,195	2,965
Capital Outlay	750	750	400	350
Total Mayor	<u>98,552</u>	<u>98,552</u>	<u>95,183</u>	<u>3,369</u>
City Council:				
Personal Services	37,800	37,800	37,350	450
Materials and Supplies	200	200	89	111
Contractual Services	3,700	3,700	3,120	580
Total City Council	<u>41,700</u>	<u>41,700</u>	<u>40,559</u>	<u>1,141</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, 2010***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	122,746	122,746	122,681	65
Contractual Services	81,155	81,155	44,317	36,838
Other Expenditures	13,710	13,710	13,710	0
Total Law Director	<u>217,611</u>	<u>217,611</u>	<u>180,708</u>	<u>36,903</u>
Clerk of Council:				
Personal Services	43,452	43,452	42,975	477
Materials and Supplies	300	300	42	258
Total Clerk of Council	<u>43,752</u>	<u>43,752</u>	<u>43,017</u>	<u>735</u>
Auditor:				
Personal Services	42,500	42,500	42,500	0
Materials and Supplies	500	500	498	2
Contractual Services	920	920	656	264
Total Auditor	<u>43,920</u>	<u>43,920</u>	<u>43,654</u>	<u>266</u>
General Administrative:				
Personal Services	314,316	314,316	313,503	813
Materials and Supplies	5,470	5,470	5,150	320
Contractual Services	287,191	289,416	256,299	33,117
Other Expenditures	2,755	2,755	2,752	3
Total General Administrative	<u>609,732</u>	<u>611,957</u>	<u>577,704</u>	<u>34,253</u>
Court Fees:				
Contractual Services	<u>28,257</u>	<u>28,257</u>	<u>26,669</u>	<u>1,588</u>
Total Court Fees	<u>28,257</u>	<u>28,257</u>	<u>26,669</u>	<u>1,588</u>
Civil Service:				
Contractual Services	<u>15,500</u>	<u>15,500</u>	<u>5,998</u>	<u>9,502</u>
Total Civil Service	<u>15,500</u>	<u>15,500</u>	<u>5,998</u>	<u>9,502</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, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Safety/Service:				
Personal Services	25,320	25,320	24,710	610
Materials and Supplies	8,900	8,900	3,895	5,005
Contractual Services	73,236	73,236	64,783	8,453
Total Safety/Service	<u>107,456</u>	<u>107,456</u>	<u>93,388</u>	<u>14,068</u>
Income Tax:				
Personal Services	300,786	300,786	299,920	866
Materials and Supplies	9,262	9,262	9,121	141
Contractual Services	28,160	28,160	19,370	8,790
Capital Outlay	5,900	5,900	5,664	236
Total Income Tax	<u>344,108</u>	<u>344,108</u>	<u>334,075</u>	<u>10,033</u>
Total General Government	<u>1,550,588</u>	<u>1,552,813</u>	<u>1,440,955</u>	<u>111,858</u>
Total Expenditures	<u>6,509,574</u>	<u>6,531,993</u>	<u>6,152,137</u>	<u>379,856</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(171,328)	(1,297)	508,740	510,037
Other Financing Sources (Uses):				
Transfers Out	<u>(570,700)</u>	<u>(596,215)</u>	<u>(596,215)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(570,700)</u>	<u>(596,215)</u>	<u>(596,215)</u>	<u>0</u>
Net Change in Fund Balance	(742,028)	(597,512)	(87,475)	510,037
Fund Balance at Beginning of Year	3,127,972	3,127,972	3,127,972	0
Prior Year Encumbrances	114,612	114,612	114,612	0
Fund Balance at End of Year	<u>\$ 2,500,556</u>	<u>\$ 2,645,072</u>	<u>\$ 3,155,109</u>	<u>\$ 510,037</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, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 485,414	\$ 485,414	\$ 489,306	\$ 3,892
Intergovernmental Revenues	149,447	149,082	146,318	(2,764)
Investment Earnings	900	900	412	(488)
Total Revenues	<u>635,761</u>	<u>635,396</u>	<u>636,036</u>	<u>640</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	633,832	633,832	619,073	14,759
Materials and Supplies	6,500	6,500	4,499	2,001
Contractual Services	20,250	20,250	11,967	8,283
Capital Outlay	62,297	64,297	46,587	17,710
Total Expenditures	<u>722,879</u>	<u>724,879</u>	<u>682,126</u>	<u>42,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(87,118)	(89,483)	(46,090)	43,393
Other Financing Sources (Uses):				
Sale of Capital Assets	65	2,065	4,950	2,885
Total Other Financing Sources (Uses)	<u>65</u>	<u>2,065</u>	<u>4,950</u>	<u>2,885</u>
Net Change in Fund Balance	(87,053)	(87,418)	(41,140)	46,278
Fund Balance at Beginning of Year	379,065	379,065	379,065	0
Prior Year Encumbrances	14,689	14,689	14,689	0
Fund Balance at End of Year	<u>\$ 306,701</u>	<u>\$ 306,336</u>	<u>\$ 352,614</u>	<u>\$ 46,278</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, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 153,000	\$ 150,774	\$ (2,226)
Intergovernmental Revenues	15,000	15,469	469
All Other Revenues	11,000	14,063	3,063
Total Revenues	<u>179,000</u>	<u>180,306</u>	<u>1,306</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	1,500	1,500	0
Capital Outlay	122,868	122,477	391
Total Security of Persons and Property	<u>124,368</u>	<u>123,977</u>	<u>391</u>
Leisure Time Activities:			
Parks:			
Contractual Services	36,000	36,000	0
Capital Outlay	284,800	284,800	0
Total Parks	<u>320,800</u>	<u>320,800</u>	<u>0</u>
Swimming Pool:			
Contractual Services	61,010	61,010	0
Total Swimming Pool	<u>61,010</u>	<u>61,010</u>	<u>0</u>
Total Leisure Time Activities	<u>381,810</u>	<u>381,810</u>	<u>0</u>
Basic Utility Services:			
Water:			
Contractual Services	45,760	45,760	0
Capital Outlay	354,240	354,189	51
Total Basic Utility Services	<u>400,000</u>	<u>399,949</u>	<u>51</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, 2010***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Transportation:			
Streets Department:			
Contractual Services	115,848	115,848	0
Capital Outlay	156,064	156,064	0
Total Transportation	<u>271,912</u>	<u>271,912</u>	<u>0</u>
General Government:			
General Administrative:			
Capital Outlay	27,861	27,861	0
Total General Administrative	<u>27,861</u>	<u>27,861</u>	<u>0</u>
Safety/Service:			
Contractual Services	25,656	25,571	85
Total Safety/Service	<u>25,656</u>	<u>25,571</u>	<u>85</u>
Total General Government	<u>53,517</u>	<u>53,432</u>	<u>85</u>
Total Expenditures	<u>1,231,607</u>	<u>1,231,080</u>	<u>527</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,052,607)	(1,050,774)	1,833
Other Financing Sources (Uses):			
Transfers In	0	93,500	93,500
Transfers Out	(88,552)	(88,552)	0
Total Other Financing Sources (Uses)	<u>(88,552)</u>	<u>4,948</u>	<u>93,500</u>
Net Change in Fund Balance	(1,141,159)	(1,045,826)	95,333
Fund Balance at Beginning of Year	2,519,240	2,519,240	0
Prior Year Encumbrances	147,229	147,229	0
Fund Balance at End of Year	<u>\$ 1,525,310</u>	<u>\$ 1,620,643</u>	<u>\$ 95,333</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, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			
Revenues:			
Intergovernmental Revenues	\$ 425,000	\$ 428,697	\$ 3,697
Charges for Services	0	600	600
All Other Revenues	0	709	709
Total Revenues	<u>425,000</u>	<u>430,006</u>	<u>5,006</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	593,673	559,725	33,948
Materials and Supplies	187,564	172,065	15,499
Contractual Services	197,817	168,168	29,649
Capital Outlay	23,000	8,109	14,891
Total Expenditures	<u>1,002,054</u>	<u>908,067</u>	<u>93,987</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(577,054)	(478,061)	98,993
Other Financing Sources (Uses):			
Transfers In	275,000	275,000	0
Total Other Financing Sources (Uses)	<u>275,000</u>	<u>275,000</u>	<u>0</u>
Net Change in Fund Balance	(302,054)	(203,061)	98,993
Fund Balance at Beginning of Year	222,600	222,600	0
Prior Year Encumbrances	85,276	85,276	0
Fund Balance at End of Year	<u>\$ 5,822</u>	<u>\$ 104,815</u>	<u>\$ 98,993</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, 2010**

STATE HIGHWAY FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 33,200	\$ 34,760	\$ 1,560
Total Revenues	<u>33,200</u>	<u>34,760</u>	<u>1,560</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	36,500	21,426	15,074
Contractual Services	12,000	11,281	719
Total Expenditures	<u>48,500</u>	<u>32,707</u>	<u>15,793</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,300)	2,053	17,353
Fund Balance at Beginning of Year	<u>110,221</u>	<u>110,221</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 94,921</u>	<u>\$ 112,274</u>	<u>\$ 17,353</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, 2010**

SWIMMING POOL FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 519,700	\$ 518,083	\$ (1,617)
All Other Revenues	4,200	5,614	1,414
Total Revenues	<u>523,900</u>	<u>523,697</u>	<u>(203)</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	247,003	246,966	37
Materials and Supplies	55,900	47,161	8,739
Contractual Services	88,677	87,484	1,193
Capital Outlay	15,029	11,929	3,100
Total Leisure Time Activities	<u>406,609</u>	<u>393,540</u>	<u>13,069</u>
Debt Service:			
Principal Retirement	80,000	80,000	0
Interest and Fiscal Charges	65,442	65,442	0
Total Expenditures	<u>552,051</u>	<u>538,982</u>	<u>13,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,151)	(15,285)	12,866
Other Financing Sources (Uses):			
Transfers In	25,000	25,515	515
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>25,515</u>	<u>515</u>
Net Change in Fund Balance	(3,151)	10,230	13,381
Fund Balance at Beginning of Year	2,933	2,933	0
Prior Year Encumbrances	2,286	2,286	0
Fund Balance at End of Year	<u>\$ 2,068</u>	<u>\$ 15,449</u>	<u>\$ 13,381</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, 2010**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 150,000	\$ 150,246	\$ 246
Total Revenues	<u>150,000</u>	<u>150,246</u>	<u>246</u>
Expenditures:			
Transportation:			
Street Department:			
Capital Outlay	57,200	57,200	0
Total Expenditures	<u>57,200</u>	<u>57,200</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	92,800	93,046	246
Fund Balance at Beginning of Year	<u>99,021</u>	<u>99,021</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 191,821</u>	<u>\$ 192,067</u>	<u>\$ 246</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, 2010**

FIRE PENSION FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 72,606	\$ 72,616	\$ 10
Intergovernmental Revenues	19,089	19,082	(7)
Total Revenues	<u>91,695</u>	<u>91,698</u>	<u>3</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	194,845	194,766	79
Contractual Services	2,050	1,362	688
Total Expenditures	<u>196,895</u>	<u>196,128</u>	<u>767</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(105,200)	(104,430)	770
Other Financing Sources (Uses):			
Transfers In	71,100	71,100	0
Total Other Financing Sources (Uses)	<u>71,100</u>	<u>71,100</u>	<u>0</u>
Net Change in Fund Balance	(34,100)	(33,330)	770
Fund Balance at Beginning of Year	35,418	35,418	0
Fund Balance at End of Year	<u>\$ 1,318</u>	<u>\$ 2,088</u>	<u>\$ 770</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, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
POLICE PENSION FUND			
Revenues:			
Taxes	\$ 72,606	\$ 72,617	\$ 11
Intergovernmental Revenues	19,089	19,082	(7)
Total Revenues	<u>91,695</u>	<u>91,699</u>	<u>4</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	231,560	231,548	12
Contractual Services	2,050	1,304	746
Total Expenditures	<u>233,610</u>	<u>232,852</u>	<u>758</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,915)	(141,153)	762
Other Financing Sources (Uses):			
Transfers In	131,100	131,100	0
Total Other Financing Sources (Uses)	<u>131,100</u>	<u>131,100</u>	<u>0</u>
Net Change in Fund Balance	(10,815)	(10,053)	762
Fund Balance at Beginning of Year	13,271	13,271	0
Fund Balance at End of Year	<u>\$ 2,456</u>	<u>\$ 3,218</u>	<u>\$ 762</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, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
LAW ENFORCEMENT TRUST FUND			
Revenues:			
Charges for Services	\$ 5,000	\$ 5,108	\$ 108
Fines and Forfeitures	27,000	27,125	125
All Other Revenues	10,000	9,980	(20)
Total Revenues	<u>42,000</u>	<u>42,213</u>	<u>213</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	500	342	158
Contractual Services	24,500	23,987	513
Other Expenditures	500	0	500
Capital Outlay	26,685	26,685	0
Total Expenditures	<u>52,185</u>	<u>51,014</u>	<u>1,171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,185)	(8,801)	1,384
Fund Balance at Beginning of Year	<u>61,279</u>	<u>61,279</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 51,094</u>	<u>\$ 52,478</u>	<u>\$ 1,384</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, 2010***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	<u>\$ 0</u>	<u>\$ 480</u>	<u>\$ 480</u>
Total Revenues	<u> 0</u>	<u> 480</u>	<u> 480</u>
Expenditures:			
Total Expenditures	<u> 0</u>	<u> 0</u>	<u> 0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	480	480
Fund Balance at Beginning of Year	<u> 1,396</u>	<u> 1,396</u>	<u> 0</u>
Fund Balance at End of Year	<u><u>\$ 1,396</u></u>	<u><u>\$ 1,876</u></u>	<u><u>\$ 480</u></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, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 2,200	\$ 2,332	\$ 132
Total Revenues	<u>2,200</u>	<u>2,332</u>	<u>132</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	1,110	0	1,110
Total Expenditures	<u>1,110</u>	<u>0</u>	<u>1,110</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,090	2,332	1,242
Fund Balance at Beginning of Year	19,002	19,002	0
Fund Balance at End of Year	<u>\$ 20,092</u>	<u>\$ 21,334</u>	<u>\$ 1,242</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, 2010**

D.A.R.E. FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 1,000	\$ 1,655	\$ 655
Total Revenues	<u>1,000</u>	<u>1,655</u>	<u>655</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	3,000	1,221	1,779
Contractual Services	1,900	1,234	666
Total Expenditures	<u>4,900</u>	<u>2,455</u>	<u>2,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,900)	(800)	3,100
Fund Balance at Beginning of Year	<u>10,875</u>	<u>10,875</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 6,975</u>	<u>\$ 10,075</u>	<u>\$ 3,100</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, 2010***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 2,200	\$ 2,210	\$ 10
Investment Earnings	700	1,325	625
Total Revenues	<u>2,900</u>	<u>3,535</u>	<u>635</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,900	3,535	635
Fund Balance at Beginning of Year	<u>83,268</u>	<u>83,268</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 86,168</u>	<u>\$ 86,803</u>	<u>\$ 635</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, 2010**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 261,000	\$ 263,855	\$ 2,855
Total Revenues	<u>261,000</u>	<u>263,855</u>	<u>2,855</u>
Expenditures:			
Debt Service:			
Principal Retirement	200,000	200,000	0
Interest and Fiscal Charges	93,300	93,300	0
Total Expenditures	<u>293,300</u>	<u>293,300</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,300)	(29,445)	2,855
Fund Balance at Beginning of Year	<u>134,434</u>	<u>134,434</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 102,134</u>	<u>\$ 104,989</u>	<u>\$ 2,855</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, 2010***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	475,573	475,573	0
Fund Balance at End of Year	<u>\$ 475,573</u>	<u>\$ 475,573</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 Capital Projects Funds
For the Year Ended December 31, 2010**

IRVING WICK DRIVE IMPROVEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	<u>1,652</u>	<u>1,652</u>	<u>0</u>
Total Expenditures	<u>1,652</u>	<u>1,652</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,652)	(1,652)	0
Fund Balance at Beginning of Year	1,517	1,517	0
Prior Year Encumbrances	<u>1,652</u>	<u>1,652</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,517</u>	<u>\$ 1,517</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**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, 2010**

PAVING FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 246,000	\$ 245,970	\$ (30)
Total Revenues	<u>246,000</u>	<u>245,970</u>	<u>(30)</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	327,971	327,971	0
Total Expenditures	<u>327,971</u>	<u>327,971</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(81,971)	(82,001)	(30)
Other Financing Sources (Uses):			
Transfers In	88,552	88,552	0
Total Other Financing Sources (Uses)	<u>88,552</u>	<u>88,552</u>	<u>0</u>
Net Change in Fund Balance	6,581	6,551	(30)
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 6,581</u>	<u>\$ 6,551</u>	<u>\$ (30)</u>



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 source, the income 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 Eight 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

* 2008 Business-type Activities were restated

City of Heath

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$23,589,938	\$22,695,332	\$24,757,330	\$26,184,975
3,693,753	4,153,096	4,440,662	4,052,345
<u>3,427,382</u>	<u>2,601,396</u>	<u>3,344,138</u>	<u>2,584,668</u>
<u>\$30,711,073</u>	<u>\$29,449,824</u>	<u>\$32,542,130</u>	<u>\$32,821,988</u>
	*		
\$11,369,769	\$11,437,704	\$11,511,143	\$11,458,893
3,585,259	3,966,942	3,955,176	5,016,822
<u>\$14,955,028</u>	<u>\$15,404,646</u>	<u>\$15,466,319</u>	<u>\$16,475,715</u>
\$34,959,707	\$34,133,036	\$36,268,473	\$37,643,868
3,693,753	4,153,096	4,440,662	4,052,345
<u>7,012,641</u>	<u>6,568,338</u>	<u>7,299,314</u>	<u>7,601,490</u>
<u>\$45,666,101</u>	<u>\$44,854,470</u>	<u>\$48,008,449</u>	<u>\$49,297,703</u>

City of Heath

Changes in Net Assets Last Eight 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>	10,611,993	8,212,235	9,237,926	9,111,551
Business-type Activities:				
Water	1,552,029	1,460,249	1,449,520	1,387,196
Sewer	2,018,104	2,077,666	1,853,411	1,837,990
<i>Total Business-type Activities Expenses</i>	3,570,133	3,537,915	3,302,931	3,225,186
<i>Total Primary Government Expenses</i>	\$14,182,126	\$11,750,150	\$12,540,857	\$12,336,737
Program Revenues				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$50,839	\$60,280	\$101,573	\$97,499
Leisure Time Activities	649,573	595,849	713,325	714,341
Community Environment	21,265	32,401	33,563	25,829
Basic Utility Services	12,182	12,027	0	0
Transportation	25,725	11,377	120,282	16,573
General Government	0	2,351	6,899	0
Operating Grants and Contributions	424,147	537,300	605,977	522,557
Capital Grants and Contributions	341,305	2,243,026	153,096	2,023,759
<i>Total Governmental Activities Program Revenues</i>	1,525,036	3,494,611	1,734,715	3,400,558

City of Heath

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

(continued)

City of Heath

Changes in Net Assets Last Eight 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

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

City of Heath

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

	2001	2002	2003	2004
General Fund				
Reserved/Designated	\$142,777	\$127,313	\$139,559	\$120,024
Unreserved	3,683,028	2,096,185	2,459,362	2,563,881
<i>Total General Fund</i>	<u>3,825,805</u>	<u>2,223,498</u>	<u>2,598,921</u>	<u>2,683,905</u>
All Other Governmental Funds				
Reserved	2,888,349	1,721,367	1,870,715	1,295,931
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	1,626,592	877,025	527,463	486,555
Capital Projects Funds	1,722,096	1,957,897	1,197,020	1,934,190
Permanent Fund	0	0	87,747	91,049
<i>Total All Other Governmental Funds</i>	<u>6,237,037</u>	<u>4,556,289</u>	<u>3,682,945</u>	<u>3,807,725</u>
<i>Total Governmental Funds</i>	<u><u>\$10,062,842</u></u>	<u><u>\$6,779,787</u></u>	<u><u>\$6,281,866</u></u>	<u><u>\$6,491,630</u></u>

Source: City Auditor's Office

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

City of Heath

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$150,353	\$190,870	\$304,325	\$229,436	\$1,366,672	\$1,223,828
<u>2,538,481</u>	<u>3,043,064</u>	<u>3,405,304</u>	<u>2,701,779</u>	<u>2,408,783</u>	<u>2,533,280</u>
<u>2,688,834</u>	<u>3,233,934</u>	<u>3,709,629</u>	<u>2,931,215</u>	<u>3,775,455</u>	<u>3,757,108</u>
877,324	683,026	884,924	519,403	412,014	323,587
404,562	698,812	644,659	829,632	807,272	826,636
1,959,028	1,789,751	1,931,812	2,652,964	3,070,331	2,123,013
<u>74,021</u>	<u>80,374</u>	<u>86,791</u>	<u>91,485</u>	<u>83,268</u> *	<u>0</u>
<u>3,314,935</u>	<u>3,251,963</u>	<u>3,548,186</u>	<u>4,093,484</u>	<u>4,372,885</u>	<u>3,273,236</u>
<u>\$6,003,769</u>	<u>\$6,485,897</u>	<u>\$7,257,815</u>	<u>\$7,024,699</u>	<u>\$8,148,340</u>	<u>\$7,030,344</u>

City of Heath

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

	2001	2002	2003	2004
Revenues:				
Taxes	\$5,699,297	\$5,772,835	\$5,990,306	\$5,968,715
Intergovernmental Revenues	1,194,260	2,791,553	1,336,400	1,910,803
Charges for Services	305,467	679,393	654,828	599,002
Licenses and Permits	23,865	23,861	23,933	34,775
Investment Earnings	551,748	231,096	123,662	86,929
Fines and Forfeitures	55,211	50,156	36,068	38,588
All Other Revenue	166,414	179,070	69,742	82,124
Total Revenue	7,996,262	9,727,964	8,234,939	8,720,936
Expenditures:				
Current:				
Security of Persons and Property	3,609,903	4,651,512	4,069,038	3,873,095
Public Health and Welfare Services	52,500	52,500	52,500	52,500
Leisure Time Activities	1,797,370	3,704,349	1,475,797	1,185,345
Community Environment	529,615	299,688	255,327	256,397
Basic Utility Services	116,642	242,676	568,416	204,435
Transportation	1,717,306	3,286,170	2,667,651	1,324,269
General Government	1,094,494	1,251,016	1,212,168	1,253,721
Debt Service:				
Principal Retirement	278,662	290,739	377,928	450,236
Interest and Fiscal Charges	127,972	186,271	234,518	255,283
Total Expenditures	9,324,464	13,964,921	10,913,343	8,855,281
Excess (Deficiency) of Revenues Over Expenditures	(1,328,202)	(4,236,957)	(2,678,404)	(134,345)

City of Heath

2005	2006	2007	2008	2009	2010
\$6,103,117	\$6,765,736	\$6,511,364	\$6,372,485	\$6,129,963	\$6,076,179
1,294,553	1,558,369	2,019,146	1,690,485	1,836,354	1,813,302
706,904	683,875	951,735	985,547	872,267	921,061
46,232	76,891	59,600	29,849	28,382	40,464
161,518	320,207	599,005	348,790	173,836	160,386
34,812	41,611	52,689	51,154	1,660,638	91,921
266,653	115,424	151,613	95,013	188,665	111,070
<u>8,613,789</u>	<u>9,562,113</u>	<u>10,345,152</u>	<u>9,573,323</u>	<u>10,890,105</u>	<u>9,214,383</u>
4,473,935	4,340,627	4,679,467	4,895,866	4,564,283	4,832,359
52,500	54,000	55,000	55,500	55,500	55,500
1,119,728	1,588,478	1,537,158	1,316,678	1,218,719	1,388,567
261,315	277,529	286,914	257,489	296,209	248,970
0	0	48,759	12,585	0	399,949
1,267,352	1,187,069	1,304,268	1,259,204	1,301,307	1,505,871
1,260,752	1,274,127	1,434,312	1,568,514	1,784,830	1,440,850
436,960	251,721	254,165	262,600	283,344	299,111
237,609	221,879	212,555	202,775	199,411	159,796
<u>9,110,151</u>	<u>9,195,430</u>	<u>9,812,598</u>	<u>9,831,211</u>	<u>9,703,603</u>	<u>10,330,973</u>
(496,362)	366,683	532,554	(257,888)	1,186,502	(1,116,590)

(Continued)

City of Heath

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	33,871	0
Capital Leases Issued	12,062	16,210	0	0
Installment Loan Issued	0	0	0	0
General Obligation Bonds Issued	0	1,850,000	2,035,000	0
Refunding Bonds Issued	0	0	0	0
Premium on Refunding Bonds Issued	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Transfers In	1,148,500	1,099,875	1,784,791	1,539,018
Transfers Out	(1,259,310)	(1,995,649)	(1,784,791)	(1,177,356)
Total Other Financing Sources (Uses)	<u>(98,748)</u>	<u>970,436</u>	<u>2,068,871</u>	<u>361,662</u>
Net Change in Fund Balance	<u>(\$1,426,950)</u>	<u>(\$3,266,521)</u>	<u>(\$609,533)</u>	<u>\$227,317</u>
 Debt Service as a Percentage of Noncapital Expenditures	 4.56%	 3.54%	 6.30%	 12.18%

Source: City Auditor's Office

City of Heath

2005	2006	2007	2008	2009	2010
0	0	0	0	0	0
0	89,348	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	1,195,000	0
0	0	0	0	11,337	0
0	0	0	0	(1,178,173)	0
1,310,436	625,678	920,187	1,321,249	511,534	684,767
(1,277,270)	(625,678)	(704,737)	(1,322,578)	(535,181)	(684,767)
33,166	89,348	215,450	(1,329)	4,517	0
(\$463,196)	\$456,031	\$748,004	(\$259,217)	\$1,191,019	(\$1,116,590)
8.02%	7.29%	22.30%	4.91%	7.23%	5.76%

City of Heath

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Estimated Personal Income (in thousands)	\$232,531	\$236,667	\$240,862	\$253,124
Total Tax Collected	\$4,775,099	\$4,793,602	\$4,950,955	\$4,806,164
Income Tax Receipts				
Withholding	3,975,876	3,982,270	3,912,690	3,940,162
Percentage	83.26%	83.07%	79.03%	81.99%
Corporate	547,623	501,273	661,068	506,273
Percentage	11.47%	10.46%	13.35%	10.53%
Individuals	251,600	310,059	377,197	359,729
Percentage	5.27%	6.47%	7.62%	7.48%

Source: City Income Tax Department

City of Heath

2005	2006	2007	2008	2009	2010
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$258,803	\$284,358	\$297,115	\$303,766	\$305,863	\$369,820
\$5,004,128	\$5,430,307	\$5,372,699	\$5,292,914	\$5,082,838	\$5,016,826
4,072,849	4,154,215	4,236,786	4,362,702	4,158,728	4,251,397
81.39%	76.50%	78.86%	82.42%	81.82%	84.74%
569,139	913,764	760,337	580,904	593,661	433,893
11.37%	16.83%	14.15%	10.98%	11.68%	8.65%
362,140	362,328	375,576	349,308	330,449	331,536
7.24%	6.67%	6.99%	6.60%	6.50%	6.61%



City of Heath

Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2010						
<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.20%	\$136,586,800	40.84%	\$2,048,802	40.84%
All Others	5,062	99.80%	197,868,266	59.16%	2,968,024	59.16%
Total	5,072	100.00%	\$334,455,066	100.00%	\$5,016,826	100.00%

Calendar Year 2001						
<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	0.17%	\$126,652,000	39.95%	\$1,899,780	39.95%
All Others	5,755	99.83%	190,354,600	60.05%	2,855,319	60.05%
Total	5,765	100.00%	\$317,006,600	100.00%	\$4,755,099	100.00%

Source: City Income Tax Department

City of Heath

Ratio of Outstanding Debt By Type Last Ten Years

	2001	2002	2003	2004
Governmental Activities ⁽¹⁾				
General Obligation Bonds Payable	\$2,475,000	\$4,075,000	\$5,775,000	\$5,370,000
Installment Loan Payable	139,576	98,837	55,910	10,674
Capital Leases	10,859	23,893	18,868	13,250
Business-type Activities ⁽¹⁾				
General Obligation Bonds Payable	2,995,000	2,875,000	2,745,000	2,610,000
Ohio Water Development Authority Loans	4,984,208	4,572,900	4,370,769	5,636,654
Ohio Public Works Commission Loan	0	0	0	0
Installment Loan Payable	70,842	48,373	24,777	0
Total Primary Government	<u>\$10,675,485</u>	<u>\$11,694,003</u>	<u>\$12,990,324</u>	<u>\$13,640,578</u>
Population ⁽²⁾				
City of Heath	8,527	8,527	8,527	8,527
Outstanding Debt Per Capita	\$1,252	\$1,371	\$1,523	\$1,600
Income ⁽³⁾				
Personal (in thousands)	232,531	236,667	240,862	253,124
Percentage of Personal Income	4.59%	4.94%	5.39%	5.39%

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

2005	2006	2007	2008	2009	2010
\$4,950,000	\$4,715,000	\$4,480,000	\$4,235,000	\$4,015,000	\$3,735,000
0	0	0	0	0	0
6,964	79,591	60,426	42,826	24,482	5,371
2,475,000	2,330,000	2,180,000	2,025,000	1,915,000	1,720,000
5,866,987	5,735,892	4,794,983	4,129,717	3,432,074	4,118,537
0	0	104,256	102,518	100,780	97,304
0	0	0	0	0	0
<u>\$13,298,951</u>	<u>\$12,860,483</u>	<u>\$11,619,665</u>	<u>\$10,535,061</u>	<u>\$9,487,336</u>	<u>\$9,676,212</u>
8,527	8,527	8,527	8,527	8,527	10,310
\$1,560	\$1,508	\$1,363	\$1,235	\$1,113	\$939
258,803	284,358	297,115	303,766	305,863	369,820
5.14%	4.52%	3.91%	3.47%	3.10%	2.62%

City of Heath

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	2001	2002	2003	2004
Population ⁽¹⁾	8,527	8,527	8,527	8,527
Assessed Value ⁽²⁾	\$244,948,550	\$255,735,300	\$254,495,240	\$261,138,600
General Bonded Debt ⁽³⁾				
General Obligation Bonds	\$5,470,000	\$6,950,000	\$8,520,000	\$7,980,000
Resources Available to Pay Principal ⁽⁴⁾	\$839,512	\$995,128	\$757,865	\$494,931
Net General Bonded Debt	\$4,630,488	\$5,954,872	\$7,762,135	\$7,485,069
Ratio of Net Bonded Debt to Estimated Actual Value	1.89%	2.33%	3.05%	2.87%
Net Bonded Debt per Capita	\$543.04	\$698.35	\$910.30	\$877.81

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

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
8,527	8,527	8,527	8,527	8,527	10,310
\$302,719,520	\$281,821,460	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150
\$7,425,000	\$7,045,000	\$6,660,000	\$6,260,000	\$5,930,000	\$5,455,000
\$245,652	\$227,198	\$207,537	\$187,176	\$165,163	\$134,952
\$7,179,348	\$6,817,802	\$6,452,463	\$6,072,824	\$5,764,837	\$5,320,048
2.37%	2.42%	2.34%	2.29%	2.18%	2.01%
\$841.95	\$799.55	\$756.71	\$712.19	\$676.07	\$516.01



City of Heath

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2010*

<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	\$3,735,000	100.00%	\$3,735,000
Overlapping:			
Heath City School District	15,402,557	94.46%	14,549,255
Licking County	11,430,000	7.75%	885,825
		Subtotal	<u>15,435,080</u>
		Total	<u><u>\$19,170,080</u></u>

Source: Licking County

City of Heath

Debt Limitations Last Ten Years

Collection Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Debt				
Net Assessed Valuation	\$244,948,550	\$255,735,300	\$254,495,240	\$261,138,600
Legal Debt Limitation (%) ⁽¹⁾	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) ⁽¹⁾	25,719,598	26,852,207	26,722,000	27,419,553
City Debt Outstanding ⁽²⁾	2,475,000	4,075,000	5,775,000	5,370,000
Less: Applicable Debt Service Fund Amounts	<u>(839,512)</u>	<u>(995,128)</u>	<u>(757,865)</u>	<u>(494,931)</u>
Net Indebtedness Subject to Limitation	<u>1,635,488</u>	<u>3,079,872</u>	<u>5,017,135</u>	<u>4,875,069</u>
Overall Legal Debt Margin	<u><u>\$24,084,110</u></u>	<u><u>\$23,772,335</u></u>	<u><u>\$21,704,865</u></u>	<u><u>\$22,544,484</u></u>
Unvoted Debt				
Net Assessed Valuation	\$244,948,550	\$255,735,300	\$254,495,240	\$261,138,600
Legal Debt Limitation (%) ⁽¹⁾	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) ⁽¹⁾	13,472,170	14,065,442	13,997,238	14,362,623
City Debt Outstanding ⁽²⁾	2,475,000	4,075,000	5,775,000	5,370,000
Less: Applicable Debt Service Fund Amounts	<u>(839,512)</u>	<u>(995,128)</u>	<u>(757,865)</u>	<u>(494,931)</u>
Net Indebtedness Subject to Limitation	<u>1,635,488</u>	<u>3,079,872</u>	<u>5,017,135</u>	<u>4,875,069</u>
Overall Legal Debt Margin	<u><u>\$11,836,682</u></u>	<u><u>\$10,985,570</u></u>	<u><u>\$8,980,103</u></u>	<u><u>\$9,487,554</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

2005	2006	2007	2008	2009	2010
\$302,719,520	\$281,821,460	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
31,785,550	29,591,253	28,937,187	27,791,687	27,732,507	27,813,991
4,950,000	4,715,000	4,480,000	4,235,000	4,015,000	3,735,000
(245,652)	(227,198)	(207,537)	(187,176)	(165,163)	(134,952)
<u>4,704,348</u>	<u>4,487,802</u>	<u>4,272,463</u>	<u>4,047,824</u>	<u>3,849,837</u>	<u>3,600,048</u>
<u>\$27,081,202</u>	<u>\$25,103,451</u>	<u>\$24,664,724</u>	<u>\$23,743,863</u>	<u>\$23,882,670</u>	<u>\$24,213,943</u>
\$302,719,520	\$281,821,460	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
16,649,574	15,500,180	15,157,574	14,557,550	14,526,551	14,569,233
4,950,000	4,715,000	4,480,000	4,235,000	4,015,000	3,735,000
(245,652)	(227,198)	(207,537)	(187,176)	(165,163)	(134,952)
<u>4,704,348</u>	<u>4,487,802</u>	<u>4,272,463</u>	<u>4,047,824</u>	<u>3,849,837</u>	<u>3,600,048</u>
<u>\$11,945,226</u>	<u>\$11,012,378</u>	<u>\$10,885,111</u>	<u>\$10,509,726</u>	<u>\$10,676,714</u>	<u>\$10,969,185</u>

City of Heath

Demographic and Economic Statistics Last Ten Years

Calendar Year	2001	2002	2003	2004	2005
Population ⁽¹⁾					
City of Heath	8,527	8,527	8,527	8,527	8,527
Licking County	145,491	145,491	145,491	145,491	145,491
Income ^{(2) (a)}					
Total Personal (in thousands)	232,531	236,667	240,862	253,124	258,803
Per Capita	27,270	27,755	28,247	29,685	30,351
Unemployment Rate ⁽³⁾					
Federal	3.8%	4.8%	5.8%	6.0%	5.5%
State	3.7%	4.3%	5.7%	6.1%	6.0%
Licking County	3.6%	4.7%	5.3%	5.9%	5.8%
Civilian Work Force Estimates ⁽³⁾					
State	5,857,000	5,828,000	5,915,000	5,875,300	5,900,400
Licking County	75,100	77,800	78,800	80,500	81,100

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2009 for the presentation of 2010 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

2006	2007	2008	2009	2010
8,527	8,527	8,527	8,527	10,310
145,491	145,491	145,491	145,491	166,492
284,358	297,115	303,766	305,863	369,820
33,348	34,844	35,624	35,870	35,870
5.0%	4.6%	5.8%	9.3%	9.6%
5.9%	5.6%	6.6%	10.2%	10.1%
5.1%	5.2%	6.1%	9.3%	9.5%
5,934,000	5,976,500	5,929,800	5,900,500	5,894,000
82,700	84,500	85,900	84,100	83,500



City of Heath

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2010	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	971	1
Super Wal-Mart Stores	Retail Sales	430	2
Arvin/Meritor	Manufacturing	364	3
Heath City Schools	Education	295	4
Heath Nursing Home	Health Care	281	5
Kaiser Aluminum & Chemical Co.	Manufacturing	263	6
Lowes Home Center	Retail Sales	185	7
JHL Automotive	Retail Sales	168	8
Sears	Retail Sales	138	9
Englefield Oil	Petroleum Products	136	10
Total		3,231	

Employer	Nature of Business	2001	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	997	1
Arvin/Meritor	Manufacturing	661	2
Kaiser Aluminum & Chemical Co.	Manufacturing	263	3
Wal-Mart Stores	Retail Sales	256	4
Kroger	Retail/Grocery	201	5
Heath Nursing Home	Health Care	200	6
Lowe's Home Center	Retail Sales	185	7
Englefield Oil	Petroleum Products	170	8
Heath City Schools	Education	166	9
Sears	Retail Sales	161	10
Total		3,260	

Sources:

City of Heath Income Tax Department

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

City of Heath

Full Time Equivalent Employees by Function Last Ten Years

	2001	2002	2003	2004	2005
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	3.00	3.25	3.00	3.00	3.00
Income Tax	5.00	5.00	5.00	5.00	4.00
Service	1.25	1.25	1.25	1.00	1.00
Security of Persons and Property					
Police	21.00	22.00	21.00	19.00	19.00
Fire	26.75	27.00	23.50	22.50	16.00
Communications	10.00	9.00	9.50	9.50	10.50
Transportation					
Street	11.00	11.00	10.00	10.00	10.00
Leisure Time Activities					
Recreation / Parks	9.75	11.00	10.00	9.50	8.25
Water Park	15.25	27.25	34.75	36.75	31.25
Community Environment					
Zoning	2.00	2.00	2.00	2.00	2.00
Business-Type Activities					
Utilities					
Water	8.00	8.25	8.00	8.00	8.00
Sewer	9.00	9.25	9.00	9.00	9.00
<i>Total Employees</i>	<u>134.00</u>	<u>148.25</u>	<u>149.00</u>	<u>147.25</u>	<u>134.00</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</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
3.25	3.50	3.50	3.25	3.25
4.00	4.00	4.00	4.00	4.00
1.00	1.00	1.25	0.50	0.50
18.00	18.00	18.00	18.00	18.50
16.50	16.00	16.00	16.00	16.00
11.00	7.50	8.00	7.50	6.00
9.00	8.50	7.50	8.50	7.50
8.00	7.75	7.50	6.25	5.25
31.00	29.50	31.50	37.00	38.00
2.00	2.00	2.00	2.00	2.00
8.25	7.50	8.00	9.50	9.50
7.50	7.75	8.00	9.00	9.00
<u>131.50</u>	<u>125.00</u>	<u>127.25</u>	<u>133.50</u>	<u>131.50</u>

City of Heath

Operating Indicators by Function Last Ten Years

	2001	2002	2003	2004
Governmental Activities				
General Government				
Council				
Members	7	7	7	7
Number of Ordinances passed	103	135	106	116
Number of Resolutions passed	11	11	15	20
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	1,157	1,188	1,500	1,349
Number of Arrests	780	763	616	538
Fire				
Number of Calls	1,788	1,804	1,705	1,903
Number of Inspections	280	306	302	376
Transportation				
Street				
Number of Streets Resurfaced	15	2	4	3
Leisure Time Activities				
Recreation / Parks				
Number of Pool/Water Park Memberships Sold	400	925	984	888
Community Environment				
Number of Building Permits	174	119	154	139
Number of Building Inspections	154	100	141	130
Number of Board of Building and Zoning Appeal Cases	26	10	13	17
Business-Type Activities				
Water				
Number of Service Connections	3,225	3,398	3,398	3,425
Daily Average Consumption (thousands of gallons)	1,500	1,500	1,200	1,200
Maximun Daily Capacity (thousands of gallons)	1,800	1,800	4,000	4,000
Sewer				
Daily Average Sewage Treatment (thousands of gallons)	1,400	1,400	1,300	1,300

Source: City Auditor's Office

City of Heath

2005	2006	2007	2008	2009	2010
7	7	7	7	7	7
96	97	110	99	112	81
15	11	10	7	6	8
1,135	1,523	1,582	1,412	1,286	1,312
583	589	600	472	470	471
1,864	1,914	1,964	2,058	2,122	2,038
354	320	342	522	432	415
4	2	11	8	11	7
962	928	1,142	1,072	950	930
157	196	110	82	80	74
128	177	87	54	66	48
26	20	19	16	11	11
3,425	3,425	3,750	3,750	3,750	4,285
1,200	1,300	1,300	1,300	1,300	1,200
4,000	4,000	4,000	4,000	4,000	4,000
1,300	1,300	1,600	1,600	1,600	1,300

City of Heath

Capital Asset Statistics by Function Last Ten Years

	2001	2002	2003	2004
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	130	130	130	136
Buildings	21	21	21	22
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Vehicles	8	8	8	8
Fire				
Stations	2	2	2	2
Vehicles	10	10	9	9
Transportation				
Street				
Streets (lane miles)	86	86	87	87
Street Lights	654	654	660	660
Traffic Signals (Intersections)	14	14	17	17
Vehicles	14	14	14	14
Leisure Time Activities				
Recreation / Parks				
Land (acres)	129	358	358	366
Buildings	2	2	2	2
Parks	8	9	9	10
Playgrounds	3	3	3	3
Swimming Pools	1	1	1	1
Baseball/Softball Diamonds	7	7	7	7
Sand Volleyball Courts	2	2	2	2

City of Heath

2005	2006	2007	2008	2009	2010
132	132	132	132	138	138
23	23	23	23	23	23
1	1	1	1	1	1
8	8	8	7	7	7
2	2	2	2	2	2
9	10	10	10	12	11
87	87	90	90	91	91
705	707	708	708	708	709
17	18	18	18	18	19
14	14	14	14	14	14
376	376	376	376	376	376
2	2	2	2	3	3
11	11	11	11	11	11
3	3	4	4	4	4
1	1	1	1	1	1
7	7	7	7	8	8
2	2	2	2	2	2

City of Heath

Capital Asset Statistics by Function Last Ten Years

	2001	2002	2003	2004
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	60	62	67	71
Pump Stations	4	4	4	4
Number of Hydrants	505	529	540	560
Average Daily Consumption	1,500,000	1,500,000	1,200,000	1,200,000
Storage Capacity (thousands of gallons)	2,165	2,165	2,165	2,165
Sewer				
Sewerlines (Miles)	80	82	96	101
Lift Stations	15	16	16	18
Storm Drains (Miles)	52	52	52	52
Treatment Capacity (thousands of gallons)	1,750	1,750	1,750	1,750

Source: City Auditor's Office

City of Heath

2005	2006	2007	2008	2009	2010
74	79	81	81	81	86
5	5	5	5	5	3
588	594	766	767	767	770
1,200,000	1,400,000	1,300,000	1,300,000	1,300,000	1,200,000
2,165	2,165	2,165	2,165	2,165	1,285
105	110	112	113	113	115
19	19	18	20	20	21
52	60	60	60	60	60
1,750	1,750	1,750	1,750	1,750	1,750



CITY OF HEATH
LICKING COUNTY
REGULAR AUDIT
JANUARY 1, 2010 – DECEMBER 31, 2010



**CITY OF HEATH
LICKING COUNTY**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 20, 2011, wherein we noted the City reclassified the Conn Memorial Trust Fund as described in Note 17. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

City of Heath
Licking County
Report on the Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Compliance and Other Matters

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

However, we did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 20, 2011.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 20, 2011

**CITY OF HEATH
LICKING COUNTY**

PRIOR YEAR SCHEDULE OF FINDINGS

DECEMBER 31, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain:
2009-001	Ohio Revised Code Sections 5705.36(A)(3), 5705.40, and 5705.41(B).	Yes	NA.
2007-002	Financial Reporting.	Partially	Re-issued in the management letter.



Dave Yost • Auditor of State

CITY OF HEATH

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 9, 2011