



**Auditor of State  
Betty Montgomery**



**CITY OF WHITEHALL, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

City of Whitehall  
Franklin County  
360 South Yearling Road  
Whitehall, Ohio 43213

To the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprises 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio, as of December 31, 2003, and the respective changes in financial position and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of federal awards expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 1, 2004

## CITY OF WHITEHALL, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The discussion and analysis of the City of Whitehall's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the City increased \$1,188,988 or 8.12% compared to 2002.
- General revenues accounted for \$17,799,772 or 89.86% of total governmental activities revenue. Program specific revenues accounted for \$2,009,214 or 10.14% of total governmental activities revenue.
- The City had \$18,619,998 in expenses related to governmental activities; \$2,009,214 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$16,610,784 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$17,799,772.
- The General Fund had revenues of \$17,346,289 in 2003. This represents a decrease of \$127,236 from 2002 revenues. The expenditures and transfers out of the General Fund, which totaled \$18,772,360 in 2003, increased \$1,761,355 from 2002. The net decrease in fund balance for the General Fund was \$1,426,071 or 20.67%.
- In the General Fund, the actual revenues came in \$307,581 lower than they were in the final budget and actual expenditures were \$1,881,514 less than the amount in the final budget. Budgeted expenditures increased \$1,021,181 from the original to the final budget due primarily to the cost of community environment and an overall increase in expenditures.

#### Using this Annual Financial Report

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

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

#### Reporting the City as a Whole

##### *Statement of Net Assets and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**CITY OF WHITEHALL, OHIO**

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

In the Statement of Net Assets and the Statement of Activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

**Reporting the City's Most Significant Funds**

***Fund Financial Statements***

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental funds, which include the General Fund and Community Development Fund, begins on page 8.

***Governmental Funds***

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the General Fund and Community Development Fund. Information for major funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
UNAUDITED**

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on page 22 of this report.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-49 of this report.

**Government-Wide Financial Analysis**

This is the City's first year for government-wide financial statements using the full accrual basis of accounting, therefore, a comparison with prior year is not available. A comparative analysis will be presented in future years when prior year information is available.

The table below provides a summary of the City's net assets for 2003:

	<b>Net Assets</b>
	<u>Governmental Activities</u>
<u>Assets</u>	
Current and other assets	\$ 13,255,663
Capital assets	<u>9,913,895</u>
Total assets	<u>23,169,558</u>
<u>Liabilities</u>	
Long-term liabilities outstanding	4,908,083
Other liabilities	<u>2,423,524</u>
Total liabilities	<u>7,331,607</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	6,351,034
Restricted	5,534,151
Unrestricted	<u>3,952,766</u>
Total net assets	<u>\$ 15,837,951</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the City's assets exceeded liabilities by \$15,837,951.

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 42.79% of total assets. Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2003, were \$6,351,034 in the Governmental Activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$5,534,151, represents resources that are subject to external restriction on how they may be used. In the Governmental Activities, the remaining balance of unrestricted net assets of \$3,952,766 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<b>Change in Net Assets</b> <u>Governmental</u> <u>Activities</u>
<b>Revenues</b>	
Program revenues:	
Charges for services	\$ 1,247,775
Operating grants and contributions	676,233
Capital grants and contributions	<u>85,206</u>
Total program revenues	<u>2,009,214</u>
General revenues:	
Property taxes	623,900
Income taxes	13,551,409
Unrestricted grants and entitlements	3,016,426
Investment earnings	117,882
Miscellaneous	<u>490,155</u>
Total general revenues	<u>17,799,772</u>
Total revenues	<u>19,808,986</u>
Expenses:	
General government	4,938,010
Security of persons and property	9,526,212
Public health and welfare	111,602
Transportation	1,409,087
Community environment	274,591
Leisure time activity	813,017
Utility services	1,346,898
Interest and fiscal charges	<u>200,581</u>
Total expenses	<u>18,619,998</u>
Increase in net assets	<u>1,188,988</u>
Net assets at beginning of year	<u>14,648,963</u>
Net assets at end of year	<u><u>\$15,837,951</u></u>

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
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**Governmental Activities**

Governmental Activities net assets increased \$1,188,988 in 2003. This increase is a result of an increase in grants and entitlements versus amounts reported in the prior year.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$9,526,212 of the total expenses of the City. These expenses were partially funded by \$282,735 in direct charges to users of the services. Transportation expenses totaled \$1,409,087. Transportation expenses were partially funded by \$308,036 in direct charges to users of the services, \$641,438 in operating grants and contributions and \$9,609 in capital grants and contributions.

The state and federal government contributed to the City a total of \$676,233 in operating grants and contributions and \$85,206 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$641,438 subsidized transportation programs, and \$34,795 subsidized security of persons and property programs.

General revenues totaled \$17,799,772, and amounted to 89.86% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$14,175,309. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$3,016,426. In August 2001, the State placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2002 and 2003.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for Governmental Activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its Governmental Activities. Comparisons to 2002 have not been presented since they are not available.

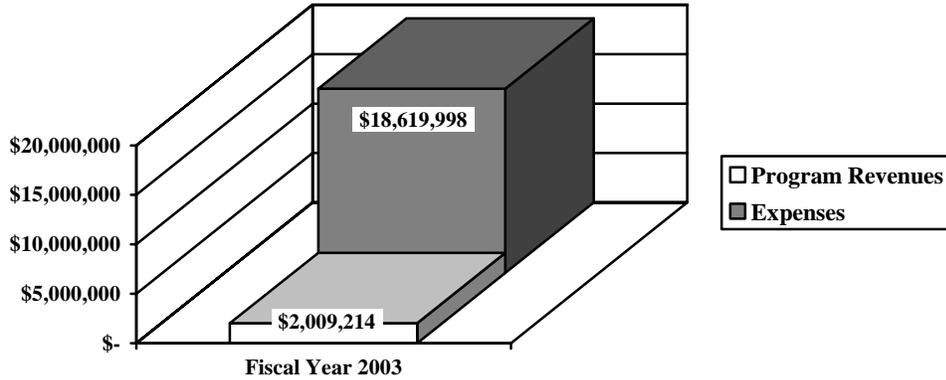
**Governmental Activities**

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Program Expenses:		
General government	\$ 4,938,010	\$ 4,419,209
Security of persons and property	9,526,212	9,208,682
Public health and welfare	111,602	111,602
Transportation	1,409,087	450,004
Community environment	274,591	198,994
Leisure time activity	813,017	674,814
Utility services	1,346,898	1,346,898
Interest and fiscal charges	<u>200,581</u>	<u>200,581</u>
Total Expenses	<u>\$18,619,998</u>	<u>\$16,610,784</u>

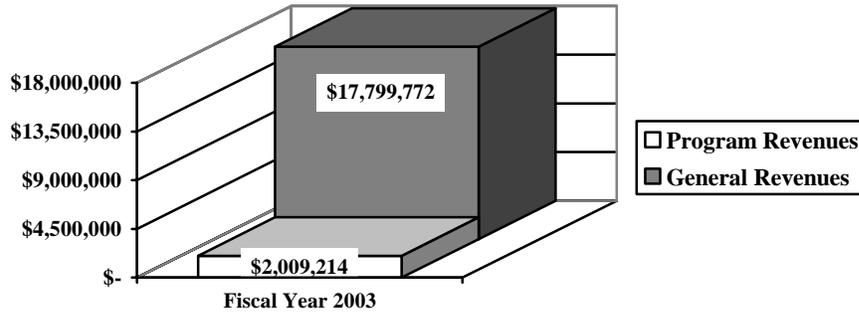
The dependence upon general revenues for Governmental Activities is apparent, with 89.12% of expenses supported through taxes and other general revenues.

**CITY OF WHITEHALL, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
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**Governmental Activities - Program Revenues vs. Total Expenses**



**Governmental Activities - General and Program Revenues**



**Financial Analysis of the Government's Funds**

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

***Governmental Funds***

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

The City's governmental funds (as presented on the Balance Sheet on page 17) reported a combined fund balance of \$8,440,769 which is \$869,739 below last year's total of \$9,310,508 (as restated). The December 31, 2002 fund balances have been restated as described in Note 3 to the basic financial statements. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2003 for all major and nonmajor governmental funds.

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<u>Fund Balances</u> <u>12/31/03</u>	<u>Fund Balances</u> <u>12/31/02</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 5,473,035	\$ 6,899,106	\$ (1,426,071)
Community Development	1,236,722	765,769	470,953
Other nonmajor governmental funds	<u>1,731,012</u>	<u>1,645,633</u>	<u>85,379</u>
Total	<u>\$ 8,440,769</u>	<u>\$ 9,310,508</u>	<u>\$ (869,739)</u>

***General Fund***

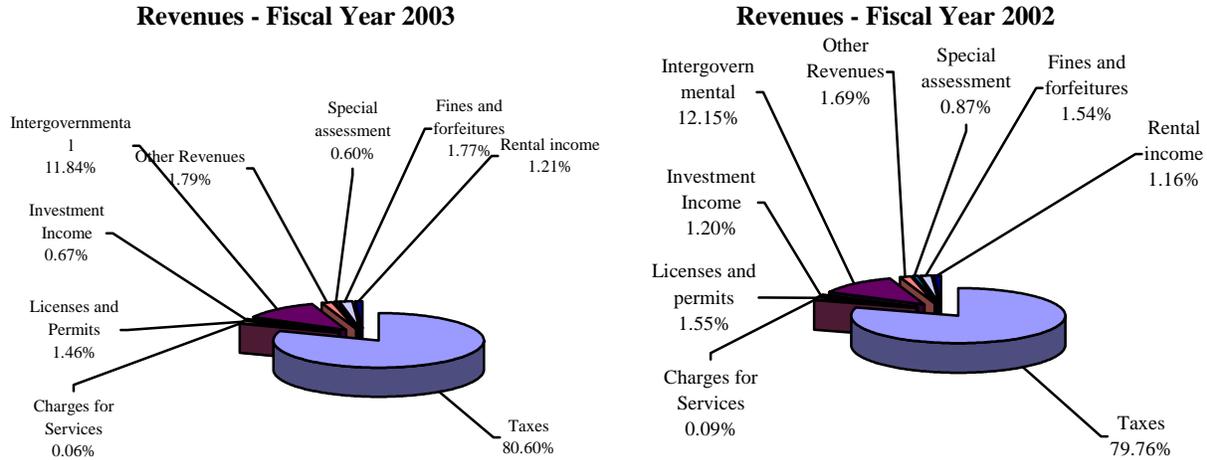
The City's General Fund balance decreased \$1,426,071, primarily due to an increase in transfers out to other funds in the amount of \$343,659 and an increase in capital outlay in the amount of \$613,631. The table that follows assists in illustrating the revenues of the General Fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 13,981,528	\$ 13,937,625	0.31 %
Charges for services	10,630	15,995	(33.54) %
Licenses and permits	253,708	270,791	(6.31) %
Fines and forfeitures	307,239	268,548	14.41 %
Investment income	115,665	209,293	(44.74) %
Special assessments	104,632	151,172	(30.79) %
Intergovernmental	2,051,665	2,122,526	(3.34) %
Rental income	210,120	202,480	3.77 %
Other	<u>311,102</u>	<u>295,094</u>	5.42 %
Total	<u>\$ 17,346,289</u>	<u>\$ 17,473,524</u>	(0.73) %

Tax revenue represents 80.60% of all General Fund revenue. Tax revenue increased slightly by 0.31% over prior year. The decrease in investment income is due to drastic cuts in interest rates by the Federal Reserve Bank throughout the year. The decrease in special assessments revenue is due to a decrease in the collections for special assessments. All other revenue remained comparable to 2002.

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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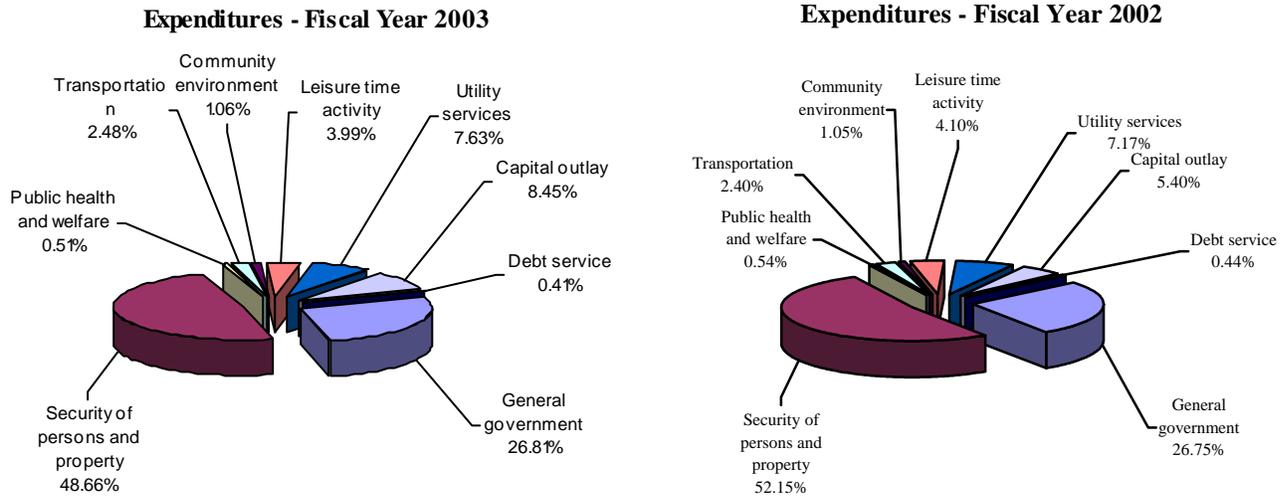
The table that follows assists in illustrating the expenditures of the General Fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 4,730,194	\$ 4,340,914	8.97 %
Security of persons and property	8,585,751	8,461,089	1.47 %
Public health and welfare	89,505	87,392	2.42 %
Transportation	437,161	388,940	12.40 %
Community environment	187,612	170,399	10.10 %
Leisure time activity	703,818	664,804	5.87 %
Utility services	1,346,898	1,163,336	15.78 %
Capital outlay	1,490,625	876,994	69.97 %
Debt service	71,748	71,748	- %
<b>Total</b>	<u>\$17,643,312</u>	<u>\$16,225,616</u>	8.74 %

The most significant increase was in the area of capital outlay. All other expenditures remained comparable to 2002. The largest expenditure line item, security of persons and property, increased slightly, which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services.

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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***Community Development Fund***

The City's Community Development Fund balance increased \$470,953, from \$765,769 to \$1,236,722. The increase in the Community Development Fund balance is primarily due to transfers in from other funds in the amount of \$430,788.

***Budgeting Highlights***

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

Budgetary information is presented for the General Fund. In the General Fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures, which increased \$1,021,181 from \$20,571,156 to \$21,592,337. Actual revenues and transfers of \$17,597,887 were less than final budgeted revenues by \$307,581. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$1,881,514 lower than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2003, the City had \$9,913,895 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. The following table shows fiscal 2003 balances compared to 2002:

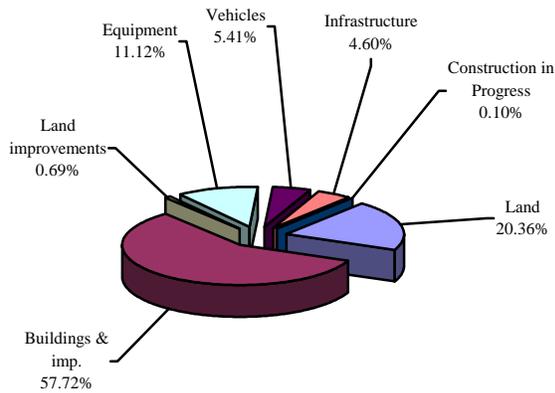
**CITY OF WHITEHALL, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Capital Assets at December 31**  
**(Net of Depreciation)**

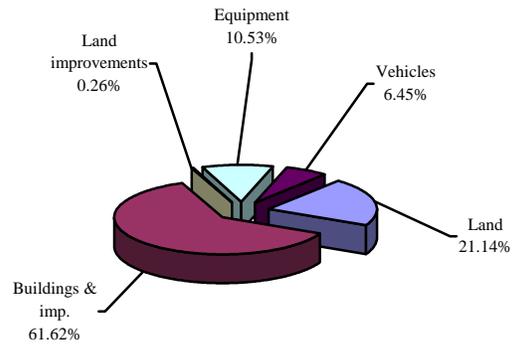
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 2,017,982	\$ 2,017,982
Land improvements	68,544	25,155
Buildings and improvements	5,722,889	5,880,157
Equipment	1,102,344	1,004,955
Vehicles	536,197	615,416
Infrastructure	456,330	-
Construction in progress	9,609	-
Totals	<u>\$ 9,913,895</u>	<u>\$ 9,543,665</u>

The following graphs show the breakdown of governmental capital assets by category for 2003 and 2002.

**Capital Assets - Governmental Activities**  
**2003**



**Capital Assets - Governmental Activities**  
**2002**



The City's largest capital asset category is buildings and improvements. The net book value of the City's buildings and improvements (cost less accumulated depreciation) represents approximately 57.72% of the City's total governmental capital assets.

**Debt Administration**

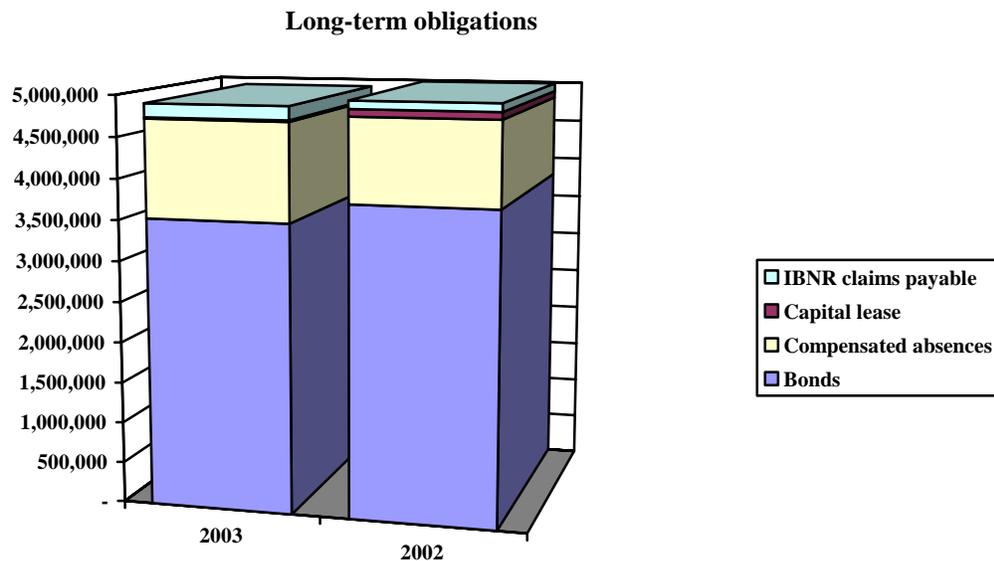
The City had the following long-term obligations outstanding at December 31, 2003 and 2002:

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
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	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Compensated absences	\$ 1,189,891	\$ 1,016,206
General obligation bonds	3,535,000	3,785,000
Capital lease obligation	18,252	85,442
IBNR claims payable	<u>164,940</u>	<u>98,841</u>
Total long-term obligations	<u>\$4,908,083</u>	<u>\$ 4,985,489</u>

A comparison of the long-term obligations by category is depicted in the chart below.



**Economic Conditions and Outlook**

**Economic Conditions and Next Year's General Fund Budget Outlook**

The City's Administration considers the impact of various economic factors when establishing the fiscal year 2004 budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2004 budget. The primary objectives include continued improvement to constituent service delivery as well as long-term fiscal stability.

Despite the uncertainty surrounding the economy, the City continues to carefully monitor two primary sources of revenue—local income taxes and shared intergovernmental (state) revenue. In order to stabilize the impact of the fluctuations in these revenue sources, City Council continues to pursue economic development and job creation; maintain the community's reputation for high public safety standards; and adoption of a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2004 budget, the City is aggressively pursuing new sources of revenue.

**CITY OF WHITEHALL, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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UNAUDITED**

Budgeted revenues and other financing sources in the General Fund for fiscal year 2004 is \$18,204,303 an increase of \$550,433 or 3% from the final 2003 General Fund budgeted revenues and other financing sources of \$17,653,870. The 2004 General Fund budget (after the first amended certificate) is \$21,675,471 as compared with the final 2003 General Fund amended certificate of \$17,905,461. In order to meet future needs of the City, the administration should strongly consider the effect of downward pressures on future revenue – primarily in intergovernmental revenues shared by the state and continued declines in interest rates – and the impact it has upon maintaining and improving city-wide services to residents and taxpayers. City Administration must be committed to making comprehensive efforts to reduce costs.

The average unemployment rate for Franklin County in 2003 (4.7%) was the highest since 1987 (4.9%) and the City Auditor anticipates the 2003 rate to continue through 2004. In order to meet these challenges, a strong and a balanced commitment to cost containment and continued revenue enhancement actions is essential. The City's financial position is anticipated to remain stable if conservative financial management is practiced.

**Contacting the City's Financial Management**

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

**CITY OF WHITEHALL, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2003

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 8,607,231
Cash with fiscal and escrow agents . . . . .	53,257
Cash in segregated accounts . . . . .	1,175
Receivables (net of allowances for uncollectibles):	
Income taxes . . . . .	981,928
Real and other taxes . . . . .	575,880
Accounts . . . . .	46,282
Special assessments . . . . .	228,485
Accrued interest . . . . .	25,406
Due from other governments . . . . .	2,477,569
Prepayments . . . . .	150,490
Materials and supplies inventory . . . . .	107,960
Capital assets:	
Land and construction in progress . . . . .	2,027,591
Depreciable capital assets, net . . . . .	7,886,304
Total capital assets, net . . . . .	9,913,895
 Total assets . . . . .	 23,169,558
 <b>Liabilities:</b>	
Accounts payable . . . . .	420,751
Contracts payable . . . . .	9,609
Accrued wages and benefits . . . . .	394,707
Due to other governments . . . . .	957,810
Deferred revenue . . . . .	420,131
Accrued interest payable . . . . .	15,456
Claims payable . . . . .	205,060
Long-term liabilities:	
Due within one year . . . . .	972,666
Due in more than one year . . . . .	3,935,417
 Total liabilities . . . . .	 7,331,607
 <b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	6,351,034
Restricted for:	
Capital projects . . . . .	2,673,018
Other purposes . . . . .	2,861,133
Unrestricted . . . . .	3,952,766
 Total net assets . . . . .	 \$ 15,837,951

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2003

		Program Revenues			Net (Expense) Revenue and Charges in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General government . . . . .	\$ 4,938,010	\$ 518,801	\$ -	\$ -	\$ (4,419,209)
Security of persons and property. . . . .	9,526,212	282,735	34,795	-	(9,208,682)
Public health and welfare . . . . .	111,602	-	-	-	(111,602)
Transportation . . . . .	1,409,087	308,036	641,438	9,609	(450,004)
Community environment. . . . .	274,591	-	-	75,597	(198,994)
Leisure time activity. . . . .	813,017	138,203	-	-	(674,814)
Utility services . . . . .	1,346,898	-	-	-	(1,346,898)
Interest and fiscal charges. . . . .	200,581	-	-	-	(200,581)
Total governmental activities . . . . .	\$ 18,619,998	\$ 1,247,775	\$ 676,233	\$ 85,206	(16,610,784)

**General Revenues:**

Property and other taxes levied for:

General purposes . . . . .	519,034
Income taxes levied for:	
General purposes . . . . .	13,551,409
Lodging taxes levied for:	
Special revenue . . . . .	104,866
Grants and entitlements not restricted to specific programs . . . . .	
Operating . . . . .	1,682,091
Capital Grants . . . . .	1,334,335
Investment earnings . . . . .	117,882
Miscellaneous . . . . .	490,155
Total general revenues. . . . .	17,799,772
Change in net assets. . . . .	1,188,988
Net assets at beginning of year (restated) . . . . .	14,648,963
Net assets at end of year . . . . .	\$ 15,837,951

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF WHITEHALL, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2003

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 4,674,693	\$ 1,246,331	\$ 1,578,889
Cash in segregated accounts . . . . .	1,175	-	-
Receivables (net of allowance for uncollectibles):			
Income taxes . . . . .	981,928	-	-
Real and other taxes . . . . .	570,487	-	5,393
Accounts . . . . .	46,282	-	-
Accrued interest . . . . .	25,406	-	-
Special assessments . . . . .	228,485	-	-
Due from other governments . . . . .	872,887	1,343,944	260,738
Prepayments. . . . .	150,490	-	-
Materials and supplies inventory . . . . .	58,749	-	49,211
Restricted assets:			
Equity in pooled cash and cash equivalents	1,107,318		
Cash with fiscal and escrow agents. . . . .	-	-	53,257
<b>Total assets . . . . .</b>	<u><u>\$ 8,717,900</u></u>	<u><u>\$ 2,590,275</u></u>	<u><u>\$ 1,947,488</u></u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 400,258	\$ -	\$ 20,493
Contracts payable . . . . .	-	9,609	-
Accrued wages and benefits. . . . .	365,907	-	28,800
Compensated absences payable. . . . .	59,001	-	-
Due to other governments. . . . .	954,414	-	3,396
Claims payable. . . . .	205,060	-	-
Deferred revenue . . . . .	1,260,225	1,343,944	163,787
<b>Total liabilities . . . . .</b>	<u><u>3,244,865</u></u>	<u><u>1,353,553</u></u>	<u><u>216,476</u></u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	1,029,207	139,333	183,771
Reserved for prepayments . . . . .	150,490	-	-
Reserved for materials and supplies inventory. . . . .	58,749	-	49,211
Reserved for insurance contingency . . . . .	1,107,318	-	-
Designated for budget stabilization . . . . .	644,098	-	-
Unreserved, undesignated, reported in:			
General fund . . . . .	2,483,173	-	-
Special revenue funds . . . . .	-	-	1,475,645
Debt service fund. . . . .	-	-	9,053
Capital projects funds . . . . .	-	1,097,389	13,332
<b>Total fund balances. . . . .</b>	<u><u>5,473,035</u></u>	<u><u>1,236,722</u></u>	<u><u>1,731,012</u></u>
<b>Total liabilities and fund balances . . . . .</b>	<u><u>\$ 8,717,900</u></u>	<u><u>\$ 2,590,275</u></u>	<u><u>\$ 1,947,488</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Total Governmental Funds</b>	
\$	7,499,913 1,175
	981,928
	575,880
	46,282
	25,406
	228,485
	2,477,569
	150,490
	107,960
	53,257
\$	12,148,345
\$	420,751 9,609 394,707 59,001 957,810 205,060 2,767,956
	4,814,894
	1,352,311
	150,490
	107,960
	1,107,318
	644,098
	2,483,173
	1,475,645
	9,053
	1,110,721
	8,440,769
\$	13,255,663

**CITY OF WHITEHALL, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2003

<b>Total governmental fund balances</b>		\$ 8,440,769
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,913,895
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 162,129	
Income taxes	76,631	
Special assessments	209,100	
Intergovernmental revenues	<u>1,899,965</u>	
Total		2,347,825
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Accrued interest payable	15,456	
General obligation bonds	3,535,000	
IBNR payable	164,940	
Capital lease payable	18,252	
Compensated absences	<u>1,130,890</u>	
Total		<u>(4,864,538)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 15,837,951</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 13,578,370	\$ -	\$ -	\$ 13,578,370
Property and other taxes . . . . .	403,158	-	104,866	508,024
Charges for services . . . . .	10,630	-	-	10,630
Licenses and permits . . . . .	253,708	-	-	253,708
Fines and forfeitures . . . . .	307,239	-	40,081	347,320
Intergovernmental . . . . .	2,051,665	75,597	664,850	2,792,112
Special assessments . . . . .	104,632	-	-	104,632
Investment income . . . . .	115,665	-	2,217	117,882
Rental income . . . . .	210,120	-	-	210,120
Other . . . . .	311,102	-	23,955	335,057
Total revenues . . . . .	<u>17,346,289</u>	<u>75,597</u>	<u>835,969</u>	<u>18,257,855</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	4,730,194	-	-	4,730,194
Security of persons and property . . . . .	8,585,751	-	105,202	8,690,953
Public health and welfare . . . . .	89,505	-	17,527	107,032
Transportation . . . . .	437,161	-	795,963	1,233,124
Community environment . . . . .	187,612	-	719	188,331
Leisure time activity . . . . .	703,818	-	-	703,818
Utility services . . . . .	1,346,898	-	-	1,346,898
Capital outlay . . . . .	1,490,625	35,432	82,457	1,608,514
Debt service:				
Principal retirement . . . . .	67,190	-	250,000	317,190
Interest and fiscal charges . . . . .	4,558	-	196,982	201,540
Total expenditures . . . . .	<u>17,643,312</u>	<u>35,432</u>	<u>1,448,850</u>	<u>19,127,594</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(297,023)</u>	<u>40,165</u>	<u>(612,881)</u>	<u>(869,739)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	430,788	698,260	1,129,048
Transfers out . . . . .	<u>(1,129,048)</u>	<u>-</u>	<u>-</u>	<u>(1,129,048)</u>
Total other financing sources (uses) . . . . .	<u>(1,129,048)</u>	<u>430,788</u>	<u>698,260</u>	<u>-</u>
Net change in fund balances . . . . .	(1,426,071)	470,953	85,379	(869,739)
<b>Fund balances at beginning of year (restated).</b>	6,899,106	765,769	1,645,633	9,310,508
<b>Fund balances at end of year.</b>	<u>\$ 5,473,035</u>	<u>\$ 1,236,722</u>	<u>\$ 1,731,012</u>	<u>\$ 8,440,769</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL, OHIO**

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, 2003

<b>Net change in fund balances - total governmental funds</b>	\$	(869,739)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$940,407) exceeded depreciation expense (\$535,619) in the current period.		404,788
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(34,558)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,551,131
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		317,190
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		959
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(180,783)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>1,188,988</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL, 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, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 13,996,152	\$ 13,996,152	\$ 13,555,756	\$ (440,396)
Property and other taxes . . . . .	415,056	415,056	403,158	(11,898)
Charges for services . . . . .	8,789	8,789	10,630	1,841
Licenses and permits . . . . .	267,137	267,137	253,037	(14,100)
Fines and forfeitures . . . . .	289,024	289,024	306,357	17,333
Intergovernmental . . . . .	2,143,657	2,143,657	2,124,501	(19,156)
Special assessments . . . . .	6,897	6,897	188,434	181,537
Investment income . . . . .	220,267	220,267	116,569	(103,698)
Rental income . . . . .	263,916	263,916	209,671	(54,245)
Other . . . . .	290,186	290,186	309,927	19,741
Total revenues . . . . .	<u>17,901,081</u>	<u>17,901,081</u>	<u>17,478,040</u>	<u>(423,041)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	4,548,585	4,969,281	4,673,131	296,150
Security of persons and property . . . . .	10,053,744	9,851,481	9,047,847	803,634
Public health and welfare . . . . .	90,000	90,000	89,505	495
Transportation . . . . .	472,331	473,331	461,195	12,136
Community environment . . . . .	26,144	324,144	307,009	17,135
Leisure time activity . . . . .	832,545	832,545	698,758	133,787
Utility services . . . . .	1,350,612	1,410,612	1,403,082	7,530
Capital outlay . . . . .	1,999,560	2,392,048	1,781,401	610,647
Total expenditures . . . . .	<u>19,373,521</u>	<u>20,343,442</u>	<u>18,461,928</u>	<u>1,881,514</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,472,440)</u>	<u>(2,442,361)</u>	<u>(983,888)</u>	<u>1,458,473</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	4,387	4,387	119,847	115,460
Transfers out . . . . .	<u>(1,197,635)</u>	<u>(1,248,895)</u>	<u>(1,248,895)</u>	<u>-</u>
Total other financing sources (uses) . . . . .	<u>(1,193,248)</u>	<u>(1,244,508)</u>	<u>(1,129,048)</u>	<u>115,460</u>
Net change in fund balance . . . . .	(2,665,688)	(3,686,869)	(2,112,936)	1,573,933
<b>Fund balance at beginning of year . . . . .</b>	<b>5,487,779</b>	<b>5,487,779</b>	<b>5,487,779</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,076,826</b>	<b>1,076,826</b>	<b>1,076,826</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,898,917</u></b>	<b><u>\$ 2,877,736</u></b>	<b><u>\$ 4,451,669</u></b>	<b><u>\$ 1,573,933</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL, OHIO

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2003

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 173,075
Cash in segregated accounts . . . . .	<u>37,962</u>
Total assets . . . . .	<u>\$ 211,037</u>
<b>Liabilities:</b>	
Intergovernmental payable . . . . .	\$ 204,730
Posted bond deposits . . . . .	<u>6,307</u>
Total liabilities . . . . .	<u>\$ 211,037</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 1 - DESCRIPTION OF THE CITY**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

**A. Reporting Entity**

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The City has no component units, but is a member of an insurance purchasing pool for workers' compensation which is described in Note 12.

To provide necessary services to its citizens, the City is divided into various departments including police, fire fighting and prevention, emergency medical services, street maintenance, parks and recreation, public service and planning, and zoning. The operation of each of these departments is directly controlled by the City, through the budgetary process and therefore is included as a part of the reporting entity.

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

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

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

***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.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

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

**C. Fund Accounting**

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

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

*General Fund* - The general fund accounts for all financial resources except those required to be accounted for in another fund.

*Community Development* - The community development fund accounts for financial resources used in capital projects.

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds.

**D. Measurement Focus and Basis of Accounting**

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets.

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

**E. Basis of Accounting**

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

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

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, interest, fees and special assessments.

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Special assessments not received within the available period and grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**F. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. For all funds, Council appropriations are made by department to personal services, travel and education, contractual services, supplies and materials, and capital outlay. This is known as the legal level of budgetary control. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

***Estimated Resources*** - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2003.

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

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

**G. Cash and Cash Equivalents**

Cash balances of the City's funds, except cash held by a fiscal agent, are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposit, federal agency securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

The City has invested funds in STAR Ohio during fiscal 2003. 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, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During fiscal 2003, interest revenue credited to the general fund amounted to \$115,665 which includes \$38,276 assigned from other City funds.

The presentation on the statement of net assets, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

The City has a segregated bank account for Mayors Court monies held separate from the City's central bank account. This interest bearing depository account is presented on the financial statements as "Cash in Segregated Accounts" since it is not required to be deposited into the City treasury.

At year-end, the City had monies on deposit with the Franklin County Treasurer. This deposit relates to undistributed permissive taxes and has been reported on the financial statements as "Cash with Fiscal and Escrow Agents".

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

**H. Inventories of Materials and Supplies**

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

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

Inventory consists of expendable supplies held for consumption.

**I. Capital Assets**

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

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. In the prior year, the City followed the policy of not capitalizing assets, except for firearms, fire fighting equipment and computer equipment, with a cost of less than \$5,000 and a useful life of less than 5 years. Firearms, fire fighting equipment and computer equipment were capitalized at \$300. During 2003, the City has changed its capitalization threshold to \$5,000 for all capital assets. The City's infrastructure consists of curbs, sidewalks, and streets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

**J. Compensated Absences**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**L. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditures/expense in the year in which it was consumed.

**M. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental columns of the statement of net assets.

**N. Interfund Activity**

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

**O. Fund Balance Reserves and Designations**

Reserved or designated fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved and designated portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The City reports a reservation of fund balance for amounts representing encumbrances outstanding, prepayments, materials and supplies inventory, and insurance contingencies in the governmental fund financial statements.

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

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

The City reports amounts set-aside by City Council for budget stabilization as a designation of fund balance in the governmental funds.

**P. Estimates**

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

**Q. 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 borrowing 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.

**R. Rental Income**

On April 1, 2001, the City entered into a lease agreement with Four Seasons Golf Center, LLC for the lease of a City owned golf facility. The lease is for a one-hundred twenty month term and calls for regular scheduled rent payments plus additional rent payments as defined by the agreement. The City recognized \$71,186 in payments related to this lease in 2003. Activity related to this lease has been included as a component of "rental income" in the BFS.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the general and each major special revenue fund.

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 3 - C HANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the City's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, and the conversion to the accrual basis of accounting.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the expendable trust fund and the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the City switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at December 31, 2002.

***Governmental Activities - Restatement of Fund Balance and Fund Reclassification*** - It was also determined that GASB Interpretation No. 6 had an effect on fund balances as previously reported at December 31, 2002. A restatement is also presented to reclassify the recreation trust fund from an expendable trust fund to a special revenue fund.

	<u>General</u>	<u>Community Development</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance				
December 31, 2002	\$ 6,869,726	\$ 765,769	\$ 1,639,375	\$ 9,274,870
Fund reclassification	-	-	4,177	4,177
GASB Interpretation No. 6 adjustments	<u>29,380</u>	<u>-</u>	<u>2,081</u>	<u>31,461</u>
Restated fund balance				
January 1, 2003	<u>\$ 6,899,106</u>	<u>\$ 765,769</u>	<u>\$ 1,645,633</u>	<u>\$ 9,310,508</u>

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 3 - C HANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE -  
(Continued)**

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Restated fund balance	
December 31, 2002	\$ 9,310,508
GASB Statement No. 34 adjustments:	
Capital assets	9,543,665
Long-term liabilities	(4,985,489)
Long-term (deferred assets)	796,694
Accrued interest payable	<u>(16,415)</u>
Governmental activities net	
assets, December 31, 2002	<u>\$ 14,648,963</u>

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

Monies held by the City are classified by State statute into three categories:

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

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

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

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five percent of the City's interim monies available for investment; and
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the City's interim monies available for investment.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest or coupons;
3. Obligations of the City.

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

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

*Cash with Fiscal and Escrow Agents:* At year-end, the City had \$53,257 on deposit with the Franklin County Treasurer. The data regarding insurance and collateralization can be obtained from the Franklin County Comprehensive Annual Financial Report for the year ended December 31, 2003. This amount is not included in the City's depository balance below.

*Cash on Hand:* At year-end, the City had \$1,175 in undeposited cash on hand which is included on the financial statements of the City as part of "Cash in Segregated Accounts".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

*Deposits:* At year-end, the carrying amount of the City’s deposits (including Cash in Segregated Accounts) was \$2,463,137 and the bank balance was \$2,689,735. These amounts include \$1,902,267 in nonnegotiable certificates of deposits which the City considers “deposits” due to their nature. Of the bank balance:

1. \$377,484 was covered by federal depository insurance; and
2. \$2,312,251 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

*Investments:* The City’s investments are required to be categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City’s name.

	Category 3	Reported Amount	Fair Value
Federal agency securities	<u>\$ 1,011,680</u>	\$ 1,011,680	\$ 1,011,680
Investment in STAR Ohio		<u>5,343,451</u>	<u>5,343,451</u>
Total investments		<u>\$ 6,355,131</u>	<u>\$ 6,355,131</u>

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting”.

A reconciliation between the classifications of cash and cash equivalents on the financial statements (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 8,872,700	\$ -
Cash with fiscal and escrow agents	(53,257)	
Investments of the cash management pool:		
Investment in STAR Ohio	(5,343,451)	5,343,451
Federal agency securities	(1,011,680)	1,011,680
Cash on hand	<u>(1,175)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 2,463,137</u>	<u>\$ 6,355,131</u>

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 5 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Community Development	\$ 430,788
Nonmajor Special Revenue	251,260
Nonmajor Debt Service	<u>447,000</u>
	<u>\$ 1,129,048</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value as of the prior January 1, the tax lien date. Assessed values are established by state law at 35 percent of appraised market value, as established by the County Auditor. All real property is required to be revalued every six years. The last revaluation was completed in 2000. Real property taxes are payable annually or semiannually. The first payment for 2002 was due January 1, with the remainder payable June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied on assessed values as of the prior January 1, the lien date. Public utility tangible personal property currently is assessed at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Public utility property taxes are payable on the same dates as real property taxes described previously.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied on the assessed values and at the close of the most recent fiscal year of the taxpayer (for businesses in operation more than one year) or December 31. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30, and if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements.

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The Franklin County Treasurer collects property taxes on behalf of all taxing districts in Franklin County, including the City. The Franklin County Auditor periodically remits to the City its portion of the taxes collected. The full rate for all City operations for the year ended December 31, 2003, was \$1.50 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property, upon which taxes for 2003 were collected, are as follows:

<u>Category</u>	<u>Assessed Value</u>
Residential	\$ 142,341,720
Commercial	97,626,370
Industrial	<u>7,627,040</u>
Total real estate	<u>247,595,130</u>
Public utility - real	34,350
Public utility - personal	<u>11,249,710</u>
Total public utility	<u>11,284,060</u>
Tangible personal property	<u>43,735,019</u>
Grand total	<u>\$ 302,614,209</u>

Accrued taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2003. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations. Accordingly, the receivable is offset by a credit to "Deferred Revenue."

**NOTE 7 - LOCAL INCOME TAX**

The City levies a municipal income tax of 2.0% on all salaries, wages, commissions and other compensation; on net profits earned within the City; and on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% for any income tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenue has been reported as revenue in the general fund to the extent that it was measurable and available to finance current operations at December 31. Income tax revenue for 2003 was \$13,578,370.

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2003, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "Due From Other Governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2003, as well as intended to finance fiscal 2003 operations.

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

**Governmental Activities:**

Income taxes	\$ 981,928
Real and other taxes	575,880
Accounts	46,282
Accrued interest	25,406
Special assessments	228,485
Due from other governments	<u>2,477,569</u>
Total	<u>\$4,335,550</u>

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

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 9 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to the reporting of depreciation in governmental activities, the change in capitalization threshold (See Note 2.I for detail) and due to the reporting of errors and omissions in the prior year. Under GASB Statement No. 34, the City has elected to “phase in” the retroactive reporting of infrastructure assets. The City plans to retroactively report infrastructure capital assets in the 2004 basic financial statements. Only infrastructure capital assets acquired or constructed in 2003 are reflected in the basic financial statements for the fiscal year ended December 31, 2003.

	Balance		Restated
<u>Governmental Activities:</u>	<u>12/31/02</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>12/31/02</u>
Land	\$ 1,828,500	\$ 189,482	\$ 2,017,982
Land improvements	-	292,770	292,770
Buildings and improvements	8,473,605	282,458	8,756,063
Equipment	2,947,908	(1,240,748)	1,707,160
Vehicles	2,383,356	(767,735)	1,615,621
Infrastructure	-	-	-
Construction in progress	-	-	-
Less: accumulated depreciation	-	(4,845,931)	(4,845,931)
Total	<u>\$ 15,633,369</u>	<u>\$ (6,089,704)</u>	<u>\$ 9,543,665</u>

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 9 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the year ended December 31, 2003, was as follows:

	Restated			Balance
<b><u>Governmental Activities:</u></b>	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
	12/31/02			12/31/03
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,017,982	\$ -	\$ -	\$ 2,017,982
Construction in progress	<u>-</u>	<u>9,609</u>	<u>-</u>	<u>9,609</u>
Total capital assets, not being depreciated	<u>2,017,982</u>	<u>9,609</u>	<u>-</u>	<u>2,027,591</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	292,770	45,487	-	338,257
Buildings and improvements	8,756,063	20,117	-	8,776,180
Equipment	1,707,160	280,685	(25,790)	1,962,055
Vehicles	1,615,621	123,362	(41,048)	1,697,935
Infrastructure	<u>-</u>	<u>461,147</u>	<u>-</u>	<u>461,147</u>
Total capital assets, being depreciated	<u>12,371,614</u>	<u>930,798</u>	<u>(66,838)</u>	<u>13,235,574</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(267,615)	(2,098)	-	(269,713)
Buildings and improvements	(2,875,906)	(177,385)	-	(3,053,291)
Equipment	(702,205)	(183,296)	25,790	(859,711)
Vehicles	(1,000,205)	(168,023)	6,490	(1,161,738)
Infrastructure	<u>-</u>	<u>(4,817)</u>	<u>-</u>	<u>(4,817)</u>
Total accumulated depreciation	<u>(4,845,931)</u>	<u>(535,619)</u>	<u>32,280</u>	<u>(5,349,270)</u>
Total capital assets, being depreciated, net	<u>7,525,683</u>	<u>395,179</u>	<u>(34,558)</u>	<u>7,886,304</u>
Governmental activities capital assets, net	<u>\$ 9,543,665</u>	<u>\$ 404,788</u>	<u>\$ (34,558)</u>	<u>\$ 9,913,895</u>

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 9 - CAPITAL ASSETS - (Continued)**

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

**Governmental activities:**

General government	\$ 31,580
Security of persons and property	230,923
Transportation	117,948
Community environment	78,220
Leisure time activity	<u>76,948</u>
Total depreciation expense - governmental activities	<u>\$535,619</u>

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the City entered into capital lease agreements for the acquisition of a fire pumper truck and for copier equipment.

The terms of the lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease as defined by Financial Accounting Standards Board (FASB) Statement No. 13 "Accounting for Leases" which defines a capital lease generally as one which transfer benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general fund in the fund financials. General capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003:

<u>Year Ending December 31</u>	<u>Equipment</u>
2004	\$ 7,368
2005	7,368
2006	<u>6,754</u>
Total minimum lease payments	21,490
Less: amount representing interest	<u>(3,238)</u>
Present value of future minimum lease payment	<u>\$ 18,252</u>

The City does not have capitalized lease obligations after fiscal year 2006.

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. The balance of the City's governmental activities long-term obligations at December 31, 2002 has been restated. The compensated absences liability increased from \$936,590 to \$1,016,206 due to the implementation of GASB Interpretation No. 6 described in Note 3. The effect on the total governmental activities long-term obligations at January 1, 2003 was an increase of \$79,616 from \$4,905,873 to \$4,985,489. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

<b><u>Governmental Activities:</u></b>	Restated Balance 12/31/02	<u>Additions</u>	<u>Reductions</u>	Balance at 12/31/03	Amounts Due in One Year
General obligation bonds	\$ 3,785,000	\$ -	\$(250,000)	\$ 3,535,000	\$260,000
Capital lease obligation	85,442	-	(67,190)	18,252	5,600
IBNR claims payable	98,841	164,940	(98,841)	164,940	164,940
Compensated absences	<u>1,016,206</u>	<u>700,296</u>	<u>(526,611)</u>	<u>1,189,891</u>	<u>542,126</u>
Total	<u>\$ 4,985,489</u>	<u>\$ 865,236</u>	<u>\$(942,642)</u>	<u>\$ 4,908,083</u>	<u>\$972,666</u>

Compensated absences reported in the "long-term liabilities" account will be paid from the fund from which the employee's salaries are paid. Incurred but not reported claims and the capital lease obligations will be paid from the general fund.

- B. On July 11, 1995, the City issued a general obligation bond for \$2,005,000 in order to fund waterline replacements. This bond is scheduled to mature on December 1, 2010. Principal and interest payments are made out of the debt service fund. The following is a description of the general obligation bond payable as of December 31, 2003:

<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Bond Outstanding <u>12/31/02</u>	Retired in 2003 <u>in 2003</u>	Bond Outstanding <u>12/31/03</u>
Variable 3.9% - 5.65% (Average = 5.278%)	7/11/1995	12/1/2010	<u>\$ 1,245,000</u>	<u>\$ (130,000)</u>	<u>\$ 1,115,000</u>

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

- C. On September 24, 1997, the City issued a general obligation bond for \$3,065,000 for the construction of a fire house and a senior citizen center. The bond is scheduled to mature December 1, 2017. Principal and interest payments are made out of the debt service fund. The following is a description of the general obligation bond payable as of December 31, 2003:

<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Bond Outstanding 12/31/02</u>	<u>Retired in 2003</u>	<u>Bond Outstanding 12/31/03</u>
5.179%	9/24/1997	12/1/2017	<u>\$ 2,540,000</u>	<u>\$ (120,000)</u>	<u>\$ 2,420,000</u>

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

<u>Year Ending December 31</u>	<u>Principal on Bonds</u>	<u>Interest on Bonds</u>	<u>Total</u>
2004	\$ 260,000	\$ 185,472	\$ 445,472
2005	275,000	173,242	448,242
2006	285,000	160,028	445,028
2007	300,000	145,139	445,139
2008	315,000	128,479	443,479
2009 - 2013	1,220,000	404,817	1,624,817
2014 - 2018	<u>880,000</u>	<u>121,500</u>	<u>1,001,500</u>
Total	<u>\$3,535,000</u>	<u>\$1,318,677</u>	<u>\$4,853,677</u>

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2003, the City was insured through the BOA/General Insurance Agency for all property, general liability, auto, public official liability, errors and omissions and law enforcement liability. Real property contents are 90% coinsured. The City has transferred its risk of loss to the insurance carrier to the extent of the limits shown below:

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	\$10,408,405	\$ 1,000
General liability		
Per occurrence	1,000,000	0
Aggregate	2,000,000	0
Vehicles		
Comprehensive	1,000,000	500
Collision	1,000,000	500
Inland Marine	50,000	250
Law enforcement	1,000,000	10,000
Public officials	1,000,000	10,000
Boiler and machinery	3,000,000	1,000

**B. Health Insurance**

During a prior period, the City established a Risk Management program (within its general fund) to account for and finance its uninsured risks of loss. Under this program, the City provides coverage for up to a maximum of \$60,000 per person per year, to a group claims maximum of \$918,840 for 2003. The City purchases commercial insurance for claims in excess of coverage provided by the Plan and for all other risks of loss.

Payments are based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophe losses. That reserve was \$1,107,318 at December 31, 2003 and is reported as a reservation of fund balance in the general fund. The claims liability reported at December 31, 2003 is based on the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by FASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported at the estimated ultimate cost of settling the claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The changes in claims liability during the fiscal years ended December 31, 2003 and 2002 are as follows:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2003	\$ 245,916	\$ 1,327,679	\$(1,203,595)	\$ 370,000
2002	227,700	937,056	(918,840)	245,916

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

Of the claims liability, \$205,060 will be liquidated using expendable available resources and, therefore, is reported as a liability of the general fund. The remaining claims liability of \$164,940 is reported in the long-term liabilities.

**C. Workers' Compensation**

The City participates in the Ohio Municipal League (OML) public entity insurance purchasing pool for workers' compensation. The Group Rating Plan is administered by Gates McDonald Company. The OML Group Rating Plan is intended to achieve lower workers' compensation premium rates for the participants, and result in the establishment of a safer working environment. There are no additional contributions required by a participant other than their annual fee.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Claims have not exceeded coverage limitations in any of the past three years.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

All City full-time employees, other than uniformed employees, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2003 was 8.5% for employees other than law enforcement and public safety. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9%. The employer contribution rate for employees other than law enforcement and public safety division was 13.55% of covered payroll and 8.55% was the portion used to fund pension obligations for 2003. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2003. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The City's contributions to OPERS to fund pensions for the years ended December 31, 2003, 2002, and 2001 were \$619,128, \$573,971, and \$551,836, respectively; 91% has been contributed for 2003 and 100% for 2002 and 2001. \$56,213, representing the unpaid contribution for 2003, is recorded as a liability within the respective funds.

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. Ohio Police and Fire Pension Fund**

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

Plan members are required to contribute 10.0% of their annual covered salary, while the City is required to contribute 19.50% and 24.0% for police officers and firefighters, respectively. The City's contributions to OP&F for the years ended December 31, 2003, 2002, and 2001 were \$1,490,069, \$1,431,472, and \$1,317,538, respectively; 79% has been contributed for 2003 and 100% for the years 2002 and 2001. \$313,729, representing the unpaid contributions for 2003, is recorded as a liability within the respective funds.

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

OPERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employee contribution rates and benefits. The 2003 employer contribution rate for local government employers was 13.55% of covered payroll and 5.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2003 employer rate was 16.70% of covered payroll and 5.00% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The City's contribution actually made to fund postemployment benefits was \$228,461.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. OPEB's are advance funded on an actuarially determined basis.

As of December 31, 2002 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$18.7 billion, respectively, at December 31, 2002 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2002 (the latest information available) was 364,881.

**CITY OF WHITEHALL, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

In December 2002, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Additional information on the OPERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the OPERS December 31, 2003, Comprehensive Annual Financial Report.

**B. Ohio Police and Fire Pension Fund**

The OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". The Ohio Revised Code provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate. The total police officer employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24.0% of covered payroll. The Ohio Revised Code provides the authority allowing OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The number of participants eligible to receive health care benefits as of December 31, 2002 (the latest information available), is 13,527 for police officers and 10,396 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$295,779 and \$240,646, respectively. OP&F's total health care expense for the year ending December 31, 2002 (the latest information available), was \$141.028 million, which was net of member contributions of \$12.623 million.

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

**Net Change in Fund Balance**

	<u>General</u>
Budget basis	\$ (2,112,936)
Net adjustment for revenue accruals	(131,751)
Net adjustment for expenditure accruals	(511,726)
Adjustment for encumbrances	<u>1,330,342</u>
GAAP basis	<u>\$ (1,426,071)</u>

**CITY OF WHITEHALL, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2003.

**B. Contracts**

During the fiscal year the City started construction on Club View Drive. Franklin County will pay for approximately the first \$93,000 of the project. The remainder of the project will be financed via an OPWC interest free loan. The loan is in the amount of \$1,350,000. The City will start receiving the financing and the repayment in 2004. The City shows a contract payable in the amount of \$9,609 which is the amount spent on the project as of December 31, 2003.

**C. Litigation**

The City is currently not involved in litigation that the City's legal counsel anticipates a loss.

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**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
<b>UNITED STATES DEPARTMENT OF JUSTICE</b>			
Local Law Enforcement Block Grants Program	16.592	2001-LB-BX-1005	\$47,781
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-0950	29,214
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0457	<u>1,244</u>
Total Local Law Enforcement Block Grants Program			<u>78,239</u>
Bullet Proof Vest Partnership Program	16.607	2003BUBX03017822	<u>8,138</u>
<i>Passed Through Franklin County, Ohio:</i>			
Juvenile Accountability Incentive Block Grants	16.523	2001-JB-002-F133	10,531
Juvenile Accountability Incentive Block Grants	16.523	2002-JB-002-F133	64,979
Juvenile Accountability Incentive Block Grants	16.523	2002-JB-011-F132	<u>13,500</u>
Total Juvenile Accountability Incentive Block Grants			<u>89,010</u>
Violence Against Women Formula Grants	16.588	01-WF-VA2-V502	7,218
Violence Against Women Formula Grants	16.588	02-WF-VA2-V502	<u>21,256</u>
Total Violence Against Women Formula Grants			<u>28,474</u>
<i>Total Passed Through Franklin County, Ohio</i>			<u>117,484</u>
<i>Passed Through the Ohio Office of Criminal Justice Services:</i>			
Byrne Formula Grant Program	16.579	2001-DG-H01-7612	<u>43,961</u>
<i>Total Passed Through the Ohio Office of Criminal Justice Services</i>			<u>43,961</u>
Total United States Department of Justice			<u>247,822</u>
<b>UNITED STATES DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed Through the Ohio Department of Public Safety:</i>			
State and Community Highway Safety Program	20.600	2003-PTM-N/1	33,355
State and Community Highway Safety Program	20.600	2004-PTM-N/1	<u>3,787</u>
Total United States Department of Transportation			<u>37,142</u>
<b>UNITED STATES DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<i>Passed through Ohio Emergency Management Agency:</i>			
Public Assistance Grant	83.544	145-0C55D	<u>15,106</u>
Total U. S. Department of Federal Emergency Management Agency			<u>15,106</u>
<b>Total Federal Awards Expenditures</b>			<b><u><u>\$300,070</u></u></b>

*The Notes to the Schedule of Federal Awards Expenditures are an integral part of the Schedule.*

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2003**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Whitehall  
Franklin County  
30 South Yearling Road  
Whitehall, Ohio 43213

To the City Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio, (the City) as of and for the year ended December 31, 2003, which collectively comprises the City's basic financial statements and have issued our report thereon dated November 1, 2004, wherein we noted the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated November 1, 2004.

#### Internal Control Over Financial Reporting

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

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This report is intended for the information and use of the management, the finance committee, the City Council and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

November 1, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City of Whitehall  
Franklin County  
30 South Yearling Road  
Whitehall, Ohio 43213

To the City Council:

#### Compliance

We have audited the compliance of the City of Whitehall, Franklin County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Whitehall, Franklin County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003. However, we noted instances of noncompliance that do not require inclusion in this report that we have reported to the management of the City in a separate letter dated November 1, 2004.

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### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated November 1, 2004.

This report is intended for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

November 1, 2004

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 .505  
DECEMBER 31, 2003**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs= Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>Local Law Enforcement Block Grant Program CFDA # 16.592</b>  <b>Juvenile Accountability Incentive Block Grant CFDA # 16.523</b>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COST FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**CITY OF WHITEHALL**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2004**