



**Auditor of State  
Betty Montgomery**



CITY OF WHITEHALL  
FRANKLIN COUNTY

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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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Whitehall, Franklin County, Ohio, as of December 31, 2004, and the respective changes in financial position thereof, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

January 20, 2006

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

The management's discussion and analysis of the City of Whitehall's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. 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 2004 are as follows:

- The total net assets of the City increased \$1,266,533 or 8.09% compared to 2003.
- General revenues accounted for \$16,742,111 or 85.38% of total governmental activities revenue. Program specific revenues accounted for \$2,867,519 or 14.62% of total governmental activities revenue.
- The City had \$18,343,097 in expenses related to governmental activities; \$2,867,519 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$15,475,578 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$16,742,111.
- The General Fund had revenues of \$17,136,107 in 2004. This represents a decrease of \$210,182 from 2003 revenues. The expenditures and transfers out of the General Fund, which totaled \$18,240,711 in 2004, decreased \$531,649 from 2003. The net decrease in fund balance for the General Fund was \$1,104,604 or 20.18%.
- In the General Fund, the actual revenues and other financing sources came in \$1,836,097 lower than they were in the final budget and actual expenditures and other financing uses were \$2,405,223 less than the amount in the final budget. Budgeted expenditures and other financing uses decreased \$3,900 from the original to the final budget.
- The Community Development Fund had revenues of \$1,172,603 in 2004. This represents an increase of \$666,218 from 2003 revenues. The expenditures of the Community Development Fund, which totaled \$1,304,106 in 2004, increased \$1,268,674 from 2003. The net decrease in fund balance for the Community Development Fund was \$131,503 or 10.63%.

**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.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net 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, 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 9.

***Governmental Funds***

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

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

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

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 Funds 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.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 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 23-47 of this report.

**Government-Wide Financial Analysis**

The City's net assets at December 31, 2003 have been restated to properly reflect delinquent special assessments receivable (See Note. 3.) The table below provides a summary of the City's net assets for 2004 and 2003:

	<b>Net Assets</b>	
	Governmental Activities 2004	(Restated) Governmental Activities 2003
	<u>2004</u>	<u>2003</u>
<u>Assets</u>		
Current and other assets	\$ 11,177,832	\$ 13,066,509
Capital assets	<u>12,335,318</u>	<u>9,913,895</u>
Total assets	<u>23,513,150</u>	<u>22,980,404</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	4,679,042	4,908,083
Other liabilities	<u>1,918,778</u>	<u>2,423,524</u>
Total liabilities	<u>6,597,820</u>	<u>7,331,607</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	9,047,666	6,351,034
Restricted	3,846,546	5,534,151
Unrestricted	<u>4,021,118</u>	<u>3,763,612</u>
Total net assets	<u>\$ 16,915,330</u>	<u>\$ 15,648,797</u>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2004, the City's assets exceeded liabilities by \$16,915,330.

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 52.46% 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, 2004, were \$9,047,666 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, \$3,846,546 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 \$4,021,118 may be used to meet the City's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2004 and 2003.

	<b>Change in Net Assets</b>	
	Governmental	(Restated) Governmental
	Activities	Activities
	<u>2004</u>	<u>2003</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,390,791	\$ 1,058,621
Operating grants and contributions	1,470,628	676,233
Capital grants and contributions	<u>6,100</u>	<u>85,206</u>
Total program revenues	<u>2,867,519</u>	<u>1,820,060</u>
General revenues:		
Property taxes and Lodging taxes	415,399	623,900
Income taxes	13,634,700	13,551,409
Unrestricted grants and entitlements	2,084,739	3,016,426
Investment earnings	52,091	117,882
Miscellaneous	<u>555,182</u>	<u>490,155</u>
Total general revenues	<u>16,742,111</u>	<u>17,799,772</u>
Total revenues	<u>19,609,630</u>	<u>19,619,832</u>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Expenses**

General government	4,866,367	4,938,010
Security of persons and property	9,236,167	9,526,212
Public health and welfare	90,815	111,602
Transportation	1,502,820	1,409,087
Community environment	428,777	274,591
Leisure time activity	746,271	813,017
Utility services	1,285,658	1,346,898
Interest and fiscal charges	<u>186,222</u>	<u>200,581</u>
 Total expenses	 <u>18,343,097</u>	 <u>18,619,998</u>
 Change in net assets	 <u>1,266,533</u>	 <u>999,834</u>
 Net assets at beginning of year	 <u>15,648,797</u>	 <u>14,648,963</u>
 Net assets at end of year	 <u>\$ 16,915,330</u>	 <u>\$ 15,648,797</u>

**Governmental Activities**

Governmental Activities net assets increased \$1,266,533 in 2004. This increase is a result of the spending level being set below the sources of income revenue.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$9,236,167 of the total expenses of the City. These expenses were partially funded by \$805,827 in direct charges to users of the services. Transportation expenses totaled \$1,502,820. Transportation expenses were partially funded by \$21,129 in direct charges to users of the services, \$1,178,565 in operating grants and contributions and \$6,100 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,470,628 in operating grants and contributions and \$6,100 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$1,178,565 subsidized transportation programs, and \$187,918 subsidized security of persons and property programs.

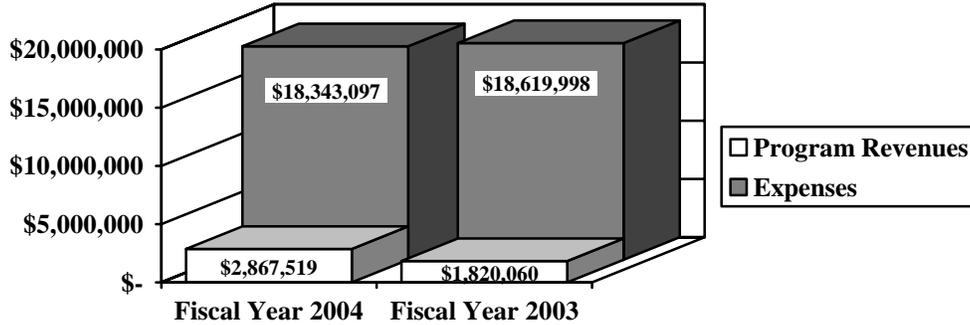
General revenues totaled \$16,742,111, and amounted to 85.38% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$14,050,099. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$2,084,739.

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.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**Governmental Activities - Program Revenues vs. Total Expenses**



**Governmental Activities**

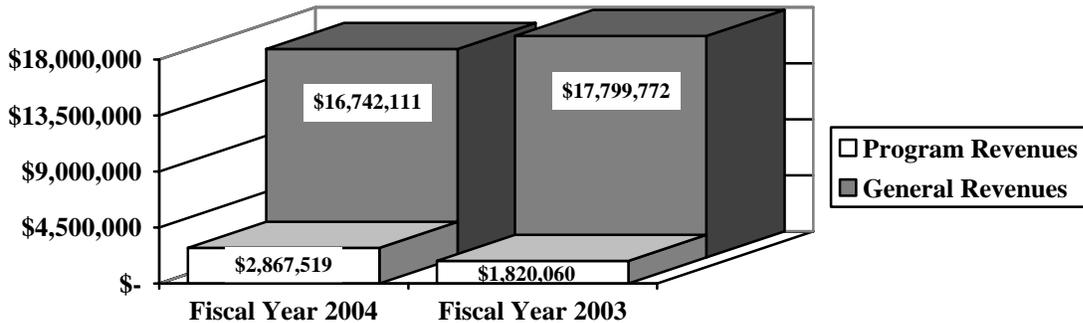
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program Expenses:				
General government	\$ 4,866,367	\$ 4,496,909	\$ 4,938,010	\$ 4,419,209
Security of persons and property	9,236,167	8,242,422	9,526,212	9,208,682
Public health and welfare	90,815	90,815	111,602	111,602
Transportation	1,502,820	297,026	1,409,087	639,158
Community environment	428,777	324,632	274,591	198,994
Leisure time activity	746,271	551,894	813,017	674,814
Utility services	1,285,658	1,285,658	1,346,898	1,346,898
Interest and fiscal charges	<u>186,222</u>	<u>186,222</u>	<u>200,581</u>	<u>200,581</u>
<b>Total</b>	<b><u>\$ 18,343,097</u></b>	<b><u>\$ 15,475,578</u></b>	<b><u>\$ 18,619,998</u></b>	<b><u>\$ 16,799,938</u></b>

The dependence upon general revenues for Governmental Activities is apparent, with 84.37% of expenses supported through taxes and other general revenues.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**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 \$7,729,233 which is \$711,536 below last year's total of \$8,440,769. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2004 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/04</u>	Fund Balances <u>12/31/03</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 4,368,431	\$ 5,473,035	\$ (1,104,604)
Community Development	1,105,219	1,236,722	(131,503)
Other nonmajor governmental funds	<u>2,255,583</u>	<u>1,731,012</u>	<u>524,571</u>
Total	<u>\$ 7,729,233</u>	<u>\$ 8,440,769</u>	<u>\$ (711,536)</u>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

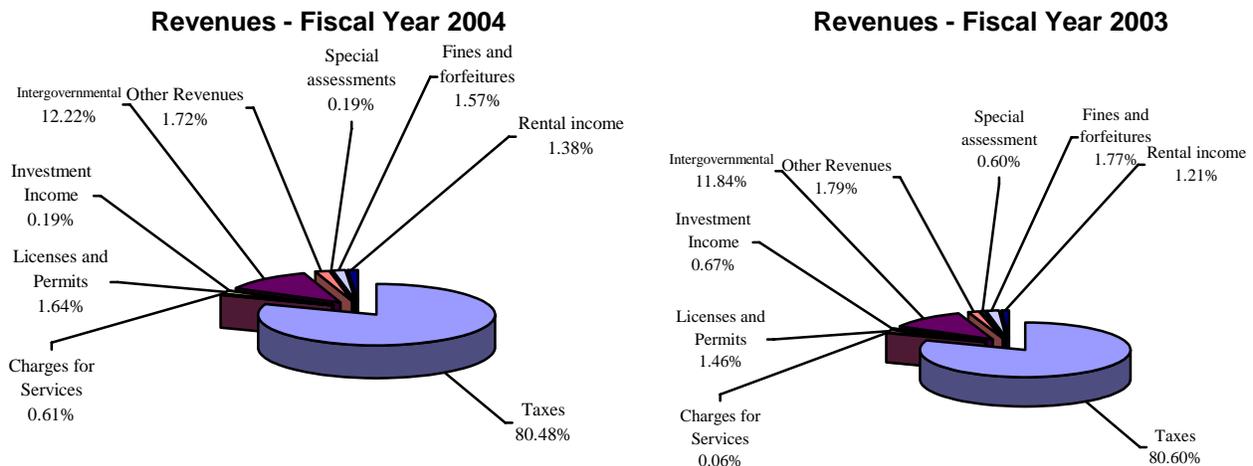
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

**General Fund**

The City's General Fund balance decreased \$1,104,604, primarily due to transfers out to other funds in the amount of \$809,270 and an decrease in revenue in the amount of \$210,182. The table that follows assists in illustrating the revenues of the General Fund.

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Taxes	\$ 13,790,773	\$ 13,981,528	(1.36) %
Charges for services	104,482	10,630	882.90 %
Licenses and permits	281,151	253,708	10.82 %
Fines and forfeitures	269,488	307,239	(12.29) %
Investment income	31,886	115,665	(72.43) %
Special assessments	32,407	104,632	(69.03) %
Intergovernmental	2,094,281	2,051,665	2.08 %
Rental income	236,128	210,120	12.38 %
Other	295,511	311,102	(5.01) %
<b>Total</b>	<b><u>\$ 17,136,107</u></b>	<b><u>\$ 17,346,289</u></b>	<b>(1.21) %</b>

Tax revenue represents 80.48% of all General Fund revenue. Tax revenue decreased slightly by 1.36% 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. The increase in charges for services was due to the City charging residents for ambulance services starting in February of 2004. All other revenue remained comparable to 2003.



**CITY OF WHITEHALL  
FRANKLIN COUNTY**

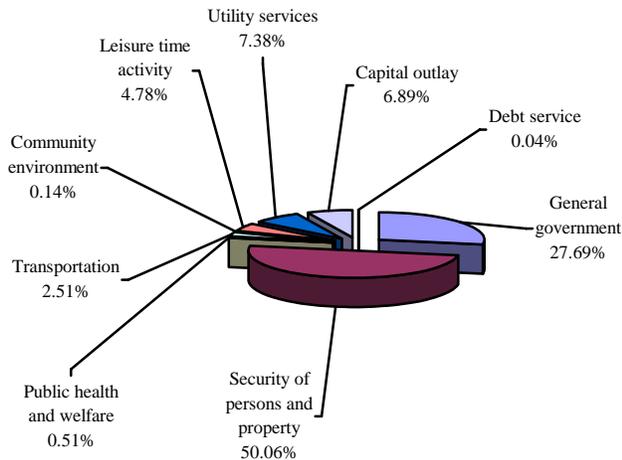
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

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

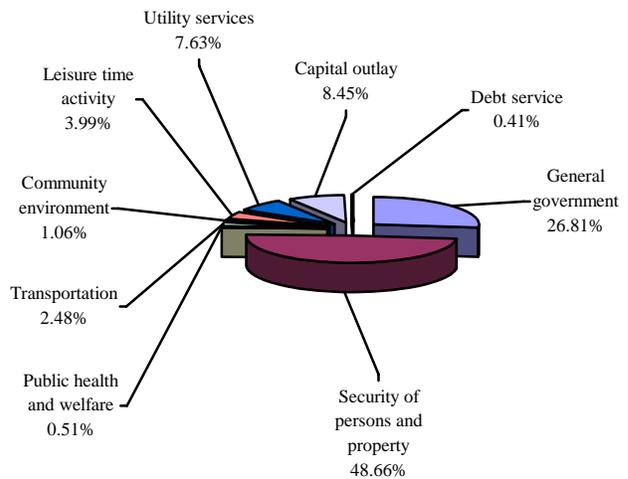
	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
<b><u>Expenditures</u></b>			
General government	\$ 4,827,558	\$ 4,730,194	2.06 %
Security of persons and property	8,724,651	8,585,751	1.62 %
Public health and welfare	89,505	89,505	- %
Transportation	437,987	437,161	0.19 %
Community environment	25,014	187,612	(86.67) %
Leisure time activity	832,851	703,818	18.33 %
Utility services	1,285,658	1,346,898	(4.55) %
Capital outlay	1,200,849	1,490,625	(19.44) %
Debt service	7,368	71,748	(89.73) %
<b>Total</b>	<b><u>\$ 17,431,441</u></b>	<b><u>\$ 17,643,312</u></b>	<b>(1.20) %</b>

The most significant decreases were in the areas of capital outlay, debt service and community environment. The decrease in debt service expenditures was due to a decrease in the required payment on the City's capital lease obligations. The decrease in community environment was due to a shift in the cost to other funds eligible to support the programs. The decrease in capital outlay expenditures was a result of the City spending less than budgeted on equipment and building improvements from the General fund. All other expenditures remained comparable to 2003. 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.

**Expenditures - Fiscal Year 2004**



**Expenditures - Fiscal Year 2003**



**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

***Community Development Fund***

The City's Community Development Fund balance decreased \$131,503, from \$1,236,722 to \$1,105,219. The decrease in the Community Development Fund balance is primarily due to capital outlay expenditures in the amount of \$1,304,106 due to expenditures for the Country Club Rd. project during 2004. Furthermore, intergovernmental receivables decreased, from \$1,343,944 at 12/31/03 to \$177,441 at 12/31/04, and intergovernmental revenues increased, from \$75,597 at 12/31/03 to \$1,172,603 at 12/31/04, as a result of reimbursements from Franklin County for work done on the Country Club Rd. project during 2004.

***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 revenues, which increased \$845,000 from \$18,204,303 to \$19,049,303. Actual revenues and transfers of \$17,213,206 were less than final budgeted revenues by \$1,836,097. Only a minimal change was between the final budgeted expenditures and original budgeted expenditures. Actual expenditures came in \$2,405,223 lower than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the City had \$12,335,318 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, equipment, vehicles, infrastructure and construction in progress. The following table shows fiscal 2004 balances compared to 2003:

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

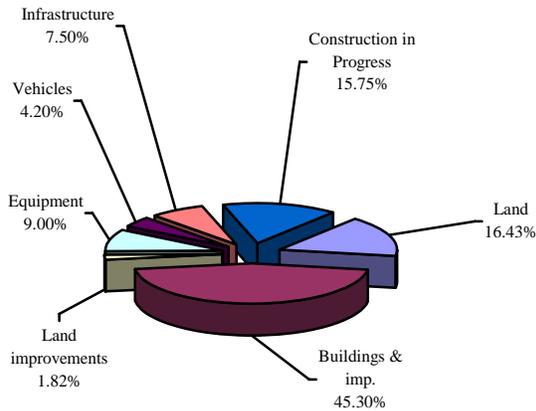
	Governmental Activities	
	2004	2003
Land	\$ 2,026,482	\$ 2,017,982
Land improvements	224,307	68,544
Buildings and improvements	5,589,359	5,722,889
Equipment	1,109,899	1,102,344
Vehicles	517,536	536,197
Infrastructure	924,767	456,330
Construction in progress	1,942,968	9,609
Totals	\$ 12,335,318	\$ 9,913,895

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

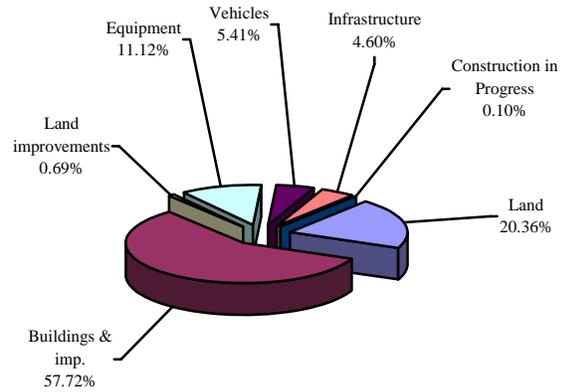
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

The following graphs show the breakdown of governmental capital assets by category for 2004 and 2003.

**Capital Assets - Governmental Activities  
2004**



**Capital Assets - Governmental Activities  
2003**



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 45.30% of the City's total governmental capital assets.

***Debt Administration***

The City had the following long-term obligations outstanding at December 31, 2004 and 2003:

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Compensated absences	\$ 1,266,818	\$ 1,189,891
General obligation bonds	3,275,000	3,535,000
Capital lease obligation	12,652	18,252
IBNR claims payable	<u>124,572</u>	<u>164,940</u>
<b>Total long-term obligations</b>	<b><u>\$ 4,679,042</u></b>	<b><u>\$ 4,908,083</u></b>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED  
(Continued)**

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

The City's elected and appointed officials considered many factors when setting the fiscal year 2005 budget. Many of our City's revenues are influenced by the economy. The continued challenges resulting from regional losses of employment and the state-wide recession have negatively impacted the 2005 financial forecast. The City Income Tax revenue forecast, particularly, is highly influenced by economic conditions. The 2005 adopted budget contemplates only a modest increase in the collection of income tax over the prior year, reflecting hope for slightly stronger economic conditions both nationally and locally. The primary objectives for the 2005 budget include continued improvement service delivery to constituents as well as striving to maintain fiscal stability through 2005 and 2006.

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. Commercial construction during the last half of 2004 was up and with other developmental projects in the works for 2005 the City anticipates a small rise in revenue due to building fees and permits.

Other factors which influence the 2005 budget are renewal of labor agreements with the Police, Police Dispatchers and Fire unions, which include salary increases of 3.5%. For the first time since the City provided health insurance benefits for employees, employees will become active stakeholders with the City as they begin to pay a modest monthly premium for health insurance.

When considering the economic health of the City, the unreserved fund balance serves as a useful indicator of the City's net resources available for spending at year-end. The City's unreserved fund balance has been shrinking, especially due to increased expenditures in the General Fund. During this time of state-wide recession, the administration should strongly consider the effect of downward pressures on future revenue and the impact it has upon maintaining current city-wide services to residents and taxpayers. In order to achieve this, administration must be committed to making comprehensive efforts to reduce costs.

The annual unemployment rate for Franklin County in 2004 (5.1%) was the highest in over 20 years. In order to meet the challenges of 2005, a strong and balanced commitment to cost containment and continued revenue enhancement in respect to the General Fund is essential. The City's financial position will remain stable only if thorough and conservative financial management is practiced.

**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  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 7,082,445
Cash with fiscal and escrow agents . . . . .	152,633
Cash in segregated accounts. . . . .	1,175
Receivables (net of allowances for uncollectibles):	
Income taxes . . . . .	1,235,123
Real and other taxes . . . . .	461,957
Accounts . . . . .	340,917
Special assessments . . . . .	29,859
Accrued interest . . . . .	101,117
Due from other governments . . . . .	1,491,551
Prepayments . . . . .	167,021
Materials and supplies inventory. . . . .	114,034
Capital assets:	
Land. . . . .	2,026,482
Construction in progress. . . . .	1,942,968
Depreciable capital assets, net . . . . .	8,365,868
Total capital assets, net . . . . .	<u>12,335,318</u>
Total assets. . . . .	<u>23,513,150</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	315,178
Accrued wages and benefits . . . . .	177,726
Due to other governments . . . . .	827,566
Deferred revenue. . . . .	417,055
Accrued interest payable. . . . .	14,437
Claims payable. . . . .	166,816
Long-term liabilities:	
Due within one year . . . . .	946,707
Due in more than one year . . . . .	3,732,335
Total liabilities . . . . .	<u>6,597,820</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt . . . . .	9,047,666
Restricted for:	
Capital projects. . . . .	1,715,882
Debt service . . . . .	62,143
Other purposes . . . . .	2,068,521
Unrestricted. . . . .	<u>4,021,118</u>
Total net assets . . . . .	<u>\$ 16,915,330</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Program Revenues				Net (Expense) Revenue and Charges in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General government . . . . .	\$ 4,866,367	\$ 369,458	\$ -	\$ -	\$ (4,496,909)
Security of persons and property. . . . .	9,236,167	805,827	187,918	-	(8,242,422)
Public health and welfare . . . . .	90,815	-	-	-	(90,815)
Transportation . . . . .	1,502,820	21,129	1,178,565	6,100	(297,026)
Community environment. . . . .	428,777	-	104,145	-	(324,632)
Leisure time activity. . . . .	746,271	194,377	-	-	(551,894)
Utility services . . . . .	1,285,658	-	-	-	(1,285,658)
Interest and fiscal charges. . . . .	186,222	-	-	-	(186,222)
<b>Total Governmental Activities . . . . .</b>	<b>\$ 18,343,097</b>	<b>\$ 1,390,791</b>	<b>\$ 1,470,628</b>	<b>\$ 6,100</b>	<b>(15,475,578)</b>

<b>General Revenues:</b>	
Property and other taxes levied for:	
General purposes . . . . .	319,186
Income taxes levied for:	
General purposes . . . . .	13,634,700
Lodging taxes levied for:	
Special revenue . . . . .	96,213
Grants and entitlements not restricted to specific programs . . . . .	
Operating . . . . .	2,084,739
Investment earnings . . . . .	52,091
Miscellaneous . . . . .	555,182
<b>Total general revenues. . . . .</b>	<b>16,742,111</b>
Change in net assets. . . . .	1,266,533
Net assets at beginning of year (restated) . . . . .	15,648,797
Net assets at end of year . . . . .	<b>\$ 16,915,330</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 4,087,169	\$ 1,105,219	\$ 1,890,057	\$ 7,082,445
Cash in segregated accounts . . . . .	1,175	-	-	1,175
Receivables (net of allowance for uncollectibles):				
Income taxes . . . . .	1,235,123	-	-	1,235,123
Real and other taxes . . . . .	454,893	-	7,064	461,957
Accounts . . . . .	105,502	-	235,415	340,917
Accrued interest . . . . .	101,117	-	-	101,117
Special assessments . . . . .	29,859	-	-	29,859
Due from other funds . . . . .	-	-	2,630	2,630
Due from other governments . . . . .	990,069	177,441	324,041	1,491,551
Prepayments. . . . .	167,021	-	-	167,021
Materials and supplies inventory . . . . .	45,944	-	68,090	114,034
Restricted assets:				
Cash with fiscal and escrow agents. . . . .	-	-	152,633	152,633
<b>Total assets . . . . .</b>	<b><u>\$ 7,217,872</u></b>	<b><u>\$ 1,282,660</u></b>	<b><u>\$ 2,679,930</u></b>	<b><u>\$ 11,180,462</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 270,636	\$ -	\$ 44,542	\$ 315,178
Accrued wages and benefits. . . . .	172,399	-	5,327	177,726
Due to other funds . . . . .	2,630	-	-	2,630
Due to other governments. . . . .	827,309	-	257	827,566
Claims payable. . . . .	166,816	-	-	166,816
Deferred revenue . . . . .	1,409,651	177,441	374,221	1,961,313
<b>Total liabilities . . . . .</b>	<b><u>2,849,441</u></b>	<b><u>177,441</u></b>	<b><u>424,347</u></b>	<b><u>3,451,229</u></b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	1,074,123	783,096	41,689	1,898,908
Reserved for prepayments . . . . .	167,021	-	-	167,021
Reserved for materials and supplies inventory. . . . .	45,944	-	68,090	114,034
Reserved for insurance contingency . . . . .	1,136,870	-	-	1,136,870
Designated for budget stabilization . . . . .	644,098	-	-	644,098
Unreserved, undesignated, reported in:				
General fund . . . . .	1,300,375	-	-	1,300,375
Special revenue funds . . . . .	-	-	1,806,171	1,806,171
Debt service fund. . . . .	-	-	76,580	76,580
Capital projects funds . . . . .	-	322,123	263,053	585,176
<b>Total fund balances. . . . .</b>	<b><u>4,368,431</u></b>	<b><u>1,105,219</u></b>	<b><u>2,255,583</u></b>	<b><u>7,729,233</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 7,217,872</u></b>	<b><u>\$ 1,282,660</u></b>	<b><u>\$ 2,679,930</u></b>	<b><u>\$ 11,180,462</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Total governmental fund balances</b>		<b>\$ 7,729,233</b>
<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.		12,335,318
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ 54,908	
Income taxes	346,965	
Charges for services	199,805	
Special assessments	8,620	
Intergovernmental revenues	915,545	
Accrued interest	<u>18,415</u>	
Total		1,544,258
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	14,437	
General obligation bonds	3,275,000	
IBNR payable	124,572	
Capital lease payable	12,652	
Compensated absences	<u>1,266,818</u>	
Total		<u>(4,693,479)</u>
<b>Net assets of governmental activities</b>		<b><u><u>\$ 16,915,330</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL  
FRANKLIN COUNTY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Community Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 13,364,366	\$ -	\$ -	\$ 13,364,366
Property and other taxes . . . . .	426,407	-	96,213	522,620
Charges for services . . . . .	104,482	-	351,631	456,113
Licenses and permits . . . . .	281,151	-	-	281,151
Fines and forfeitures . . . . .	269,488	-	32,077	301,565
Intergovernmental . . . . .	2,094,281	1,172,603	1,433,622	4,700,506
Special assessments . . . . .	32,407	-	-	32,407
Investment income . . . . .	31,886	-	1,790	33,676
Rental income . . . . .	236,128	-	-	236,128
Other . . . . .	295,511	-	-	295,511
<b>Total revenues . . . . .</b>	<u>17,136,107</u>	<u>1,172,603</u>	<u>1,915,333</u>	<u>20,224,043</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	4,827,558	-	-	4,827,558
Security of persons and property . . . . .	8,724,651	-	214,949	8,939,600
Public health and welfare . . . . .	89,505	-	-	89,505
Transportation . . . . .	437,987	-	979,899	1,417,886
Community environment . . . . .	25,014	-	397,003	422,017
Leisure time activity . . . . .	832,851	-	-	832,851
Utility services . . . . .	1,285,658	-	-	1,285,658
Capital outlay . . . . .	1,200,849	1,304,106	162,708	2,667,663
Debt service:				
Principal retirement . . . . .	5,600	-	260,000	265,600
Interest and fiscal charges . . . . .	1,768	-	185,473	187,241
<b>Total expenditures . . . . .</b>	<u>17,431,441</u>	<u>1,304,106</u>	<u>2,200,032</u>	<u>20,935,579</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(295,334)</u>	<u>(131,503)</u>	<u>(284,699)</u>	<u>(711,536)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	809,270	809,270
Transfers out . . . . .	(809,270)	-	-	(809,270)
<b>Total other financing sources (uses) . . . . .</b>	<u>(809,270)</u>	<u>-</u>	<u>809,270</u>	<u>-</u>
Net change in fund balances . . . . .	(1,104,604)	(131,503)	524,571	(711,536)
<b>Fund balances at beginning of year . . . . .</b>	5,473,035	1,236,722	1,731,012	8,440,769
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,368,431</u>	<u>\$ 1,105,219</u>	<u>\$ 2,255,583</u>	<u>\$ 7,729,233</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL  
FRANKLIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004

<b>Net change in fund balances - total governmental funds</b>	\$ (711,536)
<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 (\$2,993,799) exceeded depreciation expense (\$572,376) in the current period.	2,421,423
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(614,413)
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.	265,600
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,019
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>(95,560)</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ 1,266,533</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Municipal income taxes . . . . .	\$ 14,091,419	\$ 14,745,511	\$ 13,347,117	\$ (1,398,394)
Property and other taxes . . . . .	450,186	471,082	426,407	(44,675)
Charges for services . . . . .	90,362	94,556	85,589	(8,967)
Licenses and permits. . . . .	296,336	310,092	280,684	(29,408)
Fines and forfeitures. . . . .	285,330	298,575	270,260	(28,315)
Intergovernmental . . . . .	2,120,572	2,219,004	2,008,564	(210,440)
Special assessments . . . . .	32,257	33,754	30,553	(3,201)
Investment income . . . . .	60,487	63,295	57,292	(6,003)
Rental income . . . . .	249,402	260,979	236,229	(24,750)
Other . . . . .	311,990	326,472	295,511	(30,961)
Total revenues. . . . .	<u>17,988,341</u>	<u>18,823,320</u>	<u>17,038,206</u>	<u>(1,785,114)</u>
<b>Expenditures:</b>				
Current:				
General government . . . . .	5,652,703	5,651,687	5,089,072	562,615
Security of persons and property . . . . .	10,709,733	10,707,924	9,641,970	1,065,954
Public health and welfare. . . . .	99,417	99,400	89,505	9,895
Transportation . . . . .	541,969	541,875	487,932	53,943
Community environment . . . . .	214,514	214,477	66,309	148,168
Leisure time activity . . . . .	975,638	975,470	878,364	97,106
Utility services . . . . .	1,664,853	1,664,566	1,498,861	165,705
Capital outlay. . . . .	1,609,574	1,609,296	1,449,093	160,203
Total expenditures . . . . .	<u>21,468,401</u>	<u>21,464,695</u>	<u>19,201,106</u>	<u>2,263,589</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(3,480,060)</u>	<u>(2,641,375)</u>	<u>(2,162,900)</u>	<u>478,475</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	215,962	225,983	175,000	(50,983)
Transfers out . . . . .	<u>(1,126,098)</u>	<u>(1,125,904)</u>	<u>(984,270)</u>	<u>141,634</u>
Total other financing sources (uses) . . . . .	<u>(910,136)</u>	<u>(899,921)</u>	<u>(809,270)</u>	<u>90,651</u>
Net change in fund balance . . . . .	(4,390,196)	(3,541,296)	(2,972,170)	569,126
<b>Fund balance at beginning of year . . . . .</b>	4,451,669	4,451,669	4,451,669	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>1,330,342</u>	<u>1,330,342</u>	<u>1,330,342</u>	<u>-</u>
<b>Fund balance at end of year. . . . .</b>	<u>\$ 1,391,815</u>	<u>\$ 2,240,715</u>	<u>\$ 2,809,841</u>	<u>\$ 569,126</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF WHITEHALL  
FRANKLIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2004

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	<u>\$ 187,363</u>
Total assets . . . . .	<u><u>\$ 187,363</u></u>
<b>Liabilities:</b>	
Intergovernmental payable . . . . .	<u>\$ 187,363</u>
Total liabilities . . . . .	<u><u>\$ 187,363</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**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 activities 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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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 governmental activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is 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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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; 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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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, 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, 2004, but which were levied to finance year 2005 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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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.

***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 estimates need to be either increased or decreased. The final amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

***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 final amounts on the budgetary statement reflect the 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 ten 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 as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2004, investments were limited to negotiable and nonnegotiable certificates of deposit, federal agency securities, money market mutual funds, 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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

The City has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

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 2004, interest revenue credited to the general fund amounted to \$31,886 which includes \$11,557 assigned from other City funds.

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".

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

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

**H. Inventories of Materials and Supplies**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed/expended 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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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. The City maintains a capitalization threshold of \$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  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**L. Prepayments**

Payments made to vendors for services that will benefit beyond December 31, 2004, 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

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

outstanding, prepayments, materials and supplies inventory, and insurance contingencies in the governmental fund financial statements.

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 \$72,385 in payments related to this lease in 2004. Activity related to this lease has been included as a component of "rental income" in the BFS.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

During the year 2004, errors were discovered in special assessments from the prior year. Net assets at December 31, 2003 will be restated to properly reflect the receivable. The restatement is as follows:

Governmental activities net assets, December 31, 2003	\$ 15,837,951
Adjustments:	
Long-term (deferred assets)	<u>(189,154)</u>
Governmental activities net assets, December 31, 2003	<u>\$ 15,648,797</u>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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 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;
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:

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

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 \$152,633 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, 2004. 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".

*Deposits:* At year-end, the carrying amount of the City's deposits was \$2,199,579 and the bank balance was \$2,524,519. These amounts include \$389,302 in nonnegotiable certificates of deposits which the City considers "deposits" due to their nature and the fact that they may be redeemed without penalty. Of the bank balance, in addition to negotiable certificates of deposit:

1. \$240,086 was covered by federal depository insurance; and
2. \$2,284,433 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.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

*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. The Money Market Mutual Funds and STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 2	Unclassified	Carrying/Fair Value
Negotiable certificates of deposit	<u>\$ 884,394</u>	\$ -	\$ -	\$ 884,394
Federal agency securities		<u>3,676,879</u>	-	3,676,879
Fifth third mutual fund			205,324	205,324
Investment in STAR Ohio			<u>303,632</u>	<u>303,632</u>
Total investments		<u>\$3,676,879</u>	<u>\$ 508,956</u>	<u>\$ 5,070,229</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	\$ 7,423,616	\$ -
Cash with fiscal and escrow agents	(152,633)	
Investments of the cash management pool:		
Investment in STAR Ohio	(303,632)	303,632
Fifth third mutual fund	(205,324)	205,324
Negotiable certificate of deposit	(884,394)	884,394
Federal agency securities	(3,676,879)	3,676,879
Cash on hand	<u>(1,175)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 2,199,579</u>	<u>\$ 5,070,229</u>

During 2004, the City had certificates of deposits in the amount of \$884,394, which contrary to Ohio law, were invested in out of state banks.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 5 - INTERFUND TRANSFERS**

- A. Interfund transfers for the year ended December 31, 2004, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>
	<u>General</u>
Nonmajor Special Revenue	\$ 296,270
Nonmajor Debt Service	<u>513,000</u>
	<u>\$ 809,270</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.

- B. Due from/to other funds consisted of the following at December 31, 2004, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Special Revenue Funds	General Fund	\$ 2,630

The balances resulted from the time lag between the dates in which payments between the funds are made.

**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 2004 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.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

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.

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, 2004, was \$1.50 per \$1,000.00 of assessed value. The assessed values of real and tangible personal property, upon which taxes for 2004 were collected, are as follows:

<u>Category</u>	<u>Assessed Value</u>
Residential	\$ 142,849,450
Commercial	96,604,340
Industrial	<u>8,630,150</u>
Total real estate	<u>248,083,940</u>
Public utility - real	34,590
Public utility - personal	<u>11,255,800</u>
Total public utility	<u>11,290,390</u>
Tangible personal property	<u>35,343,823</u>
Grand total	<u>\$ 294,718,153</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, 2004. Although total property tax collections for the next fiscal year are measurable, they are not intended to finance 2004 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.

**CITY OF WHITEHALL  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 7 - LOCAL INCOME TAX (Continued)**

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 2004 was \$13,364,366.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2004, 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.

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

**Governmental Activities:**

Income taxes	\$ 1,235,123
Real and other taxes	461,957
Accounts	340,917
Accrued interest	101,117
Special assessments	29,859
Due from other governments	<u>1,491,551</u>
Total	<u>\$ 3,660,524</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.

**NOTE 9 - CAPITAL ASSETS**

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 2006 basic financial statements. Only infrastructure capital assets acquired or constructed in 2003 and 2004 are reflected in the basic financial statements for the fiscal year ended December 31, 2004.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

<u>Governmental Activities:</u>	Balance 12/31/03	Additions	Disposals	Balance 12/31/04
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,017,982	\$ 8,500	\$ -	\$ 2,026,482
Construction in progress	<u>9,609</u>	<u>1,933,359</u>	<u>-</u>	<u>1,942,968</u>
Total capital assets, not being depreciated	<u>2,027,591</u>	<u>1,941,859</u>	<u>-</u>	<u>3,969,450</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	338,257	179,067	-	517,324
Buildings and improvements	8,776,180	44,587	-	8,820,767
Equipment	1,962,055	212,850	-	2,174,905
Vehicles	1,697,935	131,529	-	1,829,464
Infrastructure	<u>461,147</u>	<u>483,907</u>	<u>-</u>	<u>945,054</u>
Total capital assets, being depreciated	<u>13,235,574</u>	<u>1,051,940</u>	<u>-</u>	<u>14,287,514</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(269,713)	(23,304)	-	(293,017)
Buildings and improvements	(3,053,291)	(178,117)	-	(3,231,408)
Equipment	(859,711)	(205,295)	-	(1,065,006)
Vehicles	(1,161,738)	(150,190)	-	(1,311,928)
Infrastructure	<u>(4,817)</u>	<u>(15,470)</u>	<u>-</u>	<u>(20,287)</u>
Total accumulated depreciation	<u>(5,349,270)</u>	<u>(572,376)</u>	<u>-</u>	<u>(5,921,646)</u>
Total capital assets, being depreciated, net	<u>7,886,304</u>	<u>479,564</u>	<u>-</u>	<u>8,365,868</u>
Governmental activities capital assets, net	<u>\$ 9,913,895</u>	#####	<u>\$ -</u>	<u>\$ 12,335,318</u>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

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

**Governmental activities:**

General government	\$ 27,303
Security of persons and property	318,466
Transportation	125,142
Community environment	584
Leisure time activity	<u>100,881</u>
Total depreciation expense - governmental activities	<u>\$ 572,376</u>

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

In prior years, the City entered into capital lease agreements for the acquisition of copier equipment.

The terms of the lease agreements provide an option to purchase the equipment. These leases meet the criteria of a capital lease 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, 2004:

<u>Year Ending December 31</u>	<u>Equipment</u>
2005	\$ 7,368
2006	<u>6,754</u>
Total minimum lease payments	14,122
Less: amount representing interest	<u>(1,470)</u>
Present value of future minimum lease payment	<u>\$ 12,652</u>

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

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

<b><u>Governmental Activities:</u></b>	Balance <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/04</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 3,535,000	\$ -	\$ (260,000)	\$ 3,275,000	\$ 275,000
Capital lease obligation	18,252	-	(5,600)	12,652	6,262
Compensated absences	<u>1,189,891</u>	<u>770,366</u>	<u>(693,439)</u>	<u>1,266,818</u>	<u>540,873</u>
Total	<u>\$ 4,743,143</u>	<u>\$ 770,366</u>	<u>\$ (959,039)</u>	<u>\$ 4,554,470</u>	<u>\$ 822,135</u>

Compensated absences will be paid from the fund from which the employee's salaries are paid. Incurred but not reported claims (see Note 12) 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, 2004:

<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Bond Outstanding <u>12/31/03</u>	Retired in 2004 <u>in 2004</u>	Bond Outstanding <u>12/31/04</u>
Variable 3.9% - 5.65% (Average = 5.278%)	7/11/1995	12/1/2010	<u>\$ 1,115,000</u>	<u>\$ (135,000)</u>	<u>\$ 980,000</u>

- 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, 2004:

<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Bond Outstanding <u>12/31/03</u>	Retired in 2004 <u>in 2004</u>	Bond Outstanding <u>12/31/04</u>
5.179%	9/24/1997	12/1/2017	<u>\$ 2,420,000</u>	<u>\$ (125,000)</u>	<u>\$ 2,295,000</u>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

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>
2005	\$ 275,000	\$ 173,242	\$ 448,242
2006	285,000	160,028	445,028
2007	300,000	145,139	445,139
2008	315,000	129,380	444,380
2009	330,000	112,783	442,783
2010 - 2014	1,095,000	344,781	1,439,781
2015 - 2018	<u>675,000</u>	<u>73,980</u>	<u>748,980</u>
Total	<u>\$ 3,275,000</u>	<u>\$ 1,139,333</u>	<u>\$ 4,414,333</u>

**E. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2004, the City's total debt margin was \$21,905,394 and the unvoted debt margin was \$13,226,197.

**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 2004, 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

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**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 2004. The City purchases commercial insurance for claims in excess of coverage provided by the Plan and for all other risks of loss.

All funds of the City participate in the program. Payments are based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,136,870 at December 31, 2004 and is reported as a reservation of fund balance in the general fund. The claims liability reported at December 31, 2004 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, 2004 and 2003 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>
2004	\$ 370,000	\$ 1,471,292	\$ (1,549,904)	\$ 291,388
2003	245,916	1,327,679	(1,203,595)	370,000

Of the claims liability, \$166,816 will be liquidated using expendable available resources and, therefore, is reported as a liability of the general fund. The remaining claims liability of \$124,572 is reported in the long-term obligations on the statement of net assets.

**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.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit.

Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides 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 2004 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 9.55% was the portion used to fund pension obligations for 2004. The employer contribution rate for law enforcement and public safety divisions was 16.70% of covered payroll and 12.7% was the portion used to fund pension obligations for 2004. 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, 2004, 2003, and 2002 were \$668,713, \$619,128, and \$573,971, respectively; 87.40% has been contributed for 2004 and 100% for 2003 and 2002. \$84,238, representing the unpaid contribution for 2004, is recorded as a liability within the respective funds.

**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.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**B. Ohio Police and Fire Pension Fund (Continued)**

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, 2004, 2003, and 2002 were \$1,598,854, \$1,490,069, and \$1,431,472, respectively; 76.15% has been contributed for 2004 and 100% for the years 2003 and 2002. \$381,358, representing the unpaid contributions for 2004, 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 2004 employer contribution rate for local government employers was 13.55% of covered payroll and 4.00% was the portion that was used to fund health care. For both the public safety and law enforcement divisions the 2004 employer rate was 16.70% of covered payroll and 4.00% 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 \$197,406.

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, 2003 (the latest information available), the actuarial value of the Retirement System's net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively, at December 31, 2003 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 2003 (the latest information available) was 369,885.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**A. Ohio Public Employees Retirement System (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.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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, 2004, 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 2003 and 2004. 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.

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

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

**B. Ohio Police and Fire Pension Fund (Continued)**

The number of participants eligible to receive health care benefits as of December 31, 2003 (the latest information available), is 13,662 for police officers and 10,474 for firefighters. The amount of employer contributions used to pay postemployment benefits for police officers and firefighters were \$317,373 and \$258,215, respectively. OP&F's total health care expense for the year ending December 31, 2003 (the latest information available), was \$150.853 million, which was net of member contributions of \$17.208 million.

**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	\$ (2,972,170)
Net adjustment for revenue accruals	97,901
Net adjustment for expenditure accruals	529,636
Adjustment for encumbrances	<u>1,240,029</u>
GAAP basis	<u>\$ (1,104,604)</u>

**CITY OF WHITEHALL  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(Continued)**

**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 the financial statements included herein or on the overall financial position of the City at December 31, 2004.

**B. Litigation**

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

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## Auditor of State Betty Montgomery

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

City of Whitehall  
Franklin County  
360 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, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the City's management dated January 20, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated January 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We intend this report solely for the information and use of the finance committee, management, and the City Council. It is not intended for 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

January 20, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 14, 2006**