

Comprehensive Annual Financial Report

For the year ended December 31, 2007



**Keith B. Alexander
Heath Auditor**

City of Progress • Citizens with Pride

Licking County, Ohio



Mary Taylor, CPA
Auditor of State

Members of Council
City of Heath
1287 Hebron Road
Heath, Ohio 43056

We have reviewed the *Independent Auditors' Report* of the City of Heath, Licking County, prepared by Wolfe, Wilson & Phillips, Inc. for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

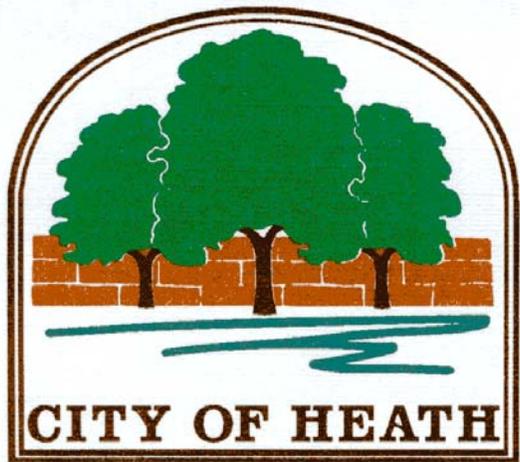
Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Heath is responsible for compliance with these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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 25, 2008

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2007

Prepared by the City Auditor's Department

Mr. Keith B. Alexander
City Auditor

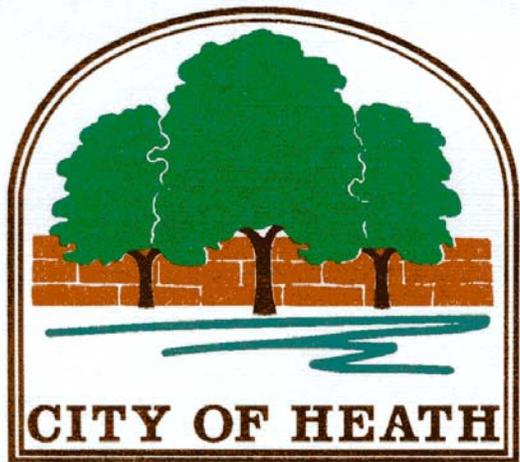


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LICKING COUNTY, OHIO

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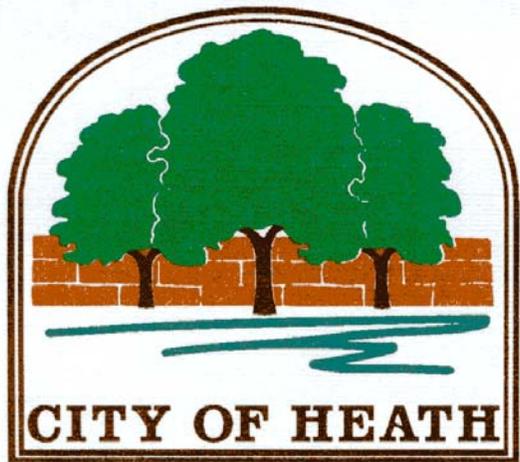
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INTRODUCTORY SECTION





CITY OF HEATH

1287 Hebron Road • Heath, Ohio 43056

Keith B. Alexander, City Auditor

phone (740) 522-1420

fax (740)-522-6324

June 9, 2008

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

The City Auditor is pleased to present this Comprehensive Annual Financial Report for the City of Heath (the City) for the fiscal year ended December 31, 2007. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

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

The Reporting Entity

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

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

***Letter of Transmittal
For the Year Ended December 31, 2007***

The City of Heath

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

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

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

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

Labor Relations

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

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

CITY OF HEATH, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2007***

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

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

<u>Bargaining Unit</u>	<u>Agreement Expiration Date</u>	<u>Number of Employees Covered</u>
Fraternal Order of Police, Ohio Labor Council (Dispatchers)	March 31, 2008	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2008	16
International Association of Firefighters Local 2930	April 17, 2008	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2008	31

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2007***

ECONOMIC OUTLOOK & MAJOR INITIATIVES

Consistent and modestly paced commercial, industrial, and residential growth continues to favor the City of Heath. During 2007, the Heath-Newark-Licking County Port authority opened a completed extension of James Parkway to Kaiser Drive. Robertson Construction located its service complex and offices on Thornwood Drive, and Samuel Manu-Tech, Boeing, and Uni-Facs all invested significant capital, expanded existing facilities and created a significant number of industrial positions. Other major employers, including Kaiser Aluminum, continued to operate in a solid fashion. A very favorable sign related to industrial growth is that the Port Authority and Mid-Ohio Development were considered as possible sights by several national companies for the re-location of operation centers. It is hoped that 2008 will see at least one of these companies to announce their intention to construct a center in Heath.

Heath utilities saw the planning begin for two major initiatives, the first being a 500,000 gallon water tower that will service the west side. And the wastewater collection system on the east side, particularly in the Grandview Avenue area has been identified as one in need of improvements.

Several new businesses, including the Game Shop, Aspen Fitness Center, Papa Murphy's, Jae's Towing and Sonic Restaurant opened in 2007 as well as a new office building constructed by Mid-Ohio Development Company. In addition, construction began on Nelson Hyundai, Keinath Mini-Mall, and the Kroger and National Lumber expansions. Plan reviews for the construction of a new Duke & Duchess convenience –service center and the Ohio heritage Bank were initiated.

Residential growth remained slow, which reflects on the national average, but surprisingly, slightly outperformed 2006. Fourteen single-family homes and 17 condo units were constructed (as compared to 14 and 12, respectively, in 2006).

Plans for 2008 include:

Parks:	Swimming pool sound system	\$10,000
	Painting of pool slides	20,000
	Remodel pool family changing area	5,000
	Purchase new Kubota mower	40,000
Police:	Purchase two unmarked police cars	25,000
Street	Purchase new dump truck	70,000
Utility	Generator for The Woodlands	24,000
	New Wastewater master plan	Undetermined
	500,000 gallon water tower	1,000,000
Zoning	Thornwood Dr. improvements engineering	150,000
	Hebron Rd. safety improvements – Right of Way acquisition	50,000
	Pool to Recreation Center engineering	55,000

***Letter of Transmittal
For the Year Ended December 31, 2007***

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

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

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

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

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

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

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

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2007***

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

Risk Management

The City of Heath relied upon traditional insurance markets and conventional policies as a method of asset protection and overall risk management. The Clarendon National Insurance Company is the present primary carrier for the provision of underlying bodily injury, personal injury, property damage, automotive, and general liability coverage. Supplemental protection includes professional liability, honesty bonding and a comprehensive liability policy overlying most of the basic policies.

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

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

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

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

***Letter of Transmittal
For the Year Ended December 31, 2007***

Health Insurance

The City Council authorized a partially self-funded medical coverage program for City employees in 1993. The program is administered by Professional Claims Management of Canton, Ohio. The program provides that the City pay medical expenses of eligible employees and dependents in excess of established deductibles and/or co-pay amounts for agreed upon services and supplies during the calendar year. The City maintains a stop loss of \$30,000 per person per year with a \$2,000,000 lifetime per person maximum. Pre-existing conditions do apply to all new employees and co-pays apply for in-network and deductibles for out-of-network services. Utilization and peer review are contracted through the third party administrator.

Workers' Compensation

The City of Heath joined the Ohio Municipal League (OML) Worker's Compensation Pool in 1992. The pool groups similar municipal employers to gain a greater discount in worker's compensation premiums for City employees. Section 4123.29 of the Ohio Revised Code, and the rules promulgated thereunder, permit the establishment of the employer group-rating plan. Said plans pool and group the experience (payroll amounts and claims losses) of the participating employers in order to create a lower worker's compensation premium rate. The Ohio Municipal League (OML) as a sponsoring organization offers the plan to achieve lower worker's compensation premium rates for participants and to promote establishment of a safer working environment.

The OML Worker's Compensation Pool will accept member municipalities in good standing for participation if their claim losses are less than the Bureau's expected losses determined at the group level. No municipality is invited to participate whose claim losses are projected to exceed the Bureau's expected loss level for the effective date of the group rating year and/or the year after. Each participant must qualify annually to continue to be a group member. The OML reserves the right to implement equity pooling in any rating year to ensure equitable savings.

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

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

***Letter of Transmittal
For the Year Ended December 31, 2007***

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2006. This was the twelfth year in a row the City received this award. The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 and 2003. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

Public Disclosure

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

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

***Letter of Transmittal
For the Year Ended December 31, 2007***

Acknowledgments

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

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

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

Respectfully,



Keith B. Alexander
City Auditor

CITY OF HEATH, OHIO

**List of Principal Officials
For the Year Ended December 31, 2007**

<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>	<i>SURETY</i>
Richard J. Waugh	Mayor	01/01/2012	
Keith B. Alexander	Auditor	03/31/2012	B
Jeffrey Crabill	Council Member - Ward 3	01/01/2010	
	Council President		
Chris May	Council Member at Large	12/31/2007	
	President-Pro-Tem		
Dr. Ronald Krueger	Council Member at Large	12/31/2007	
James W. Watercutter	Council Member - Ward 1	01/01/2010	
Richard Morrow	Council Member - Ward 2	01/01/2010	
Cledys Henry	Council Member at Large	12/31/2007	
Tim Kelley	Council Member at Large	12/31/2007	

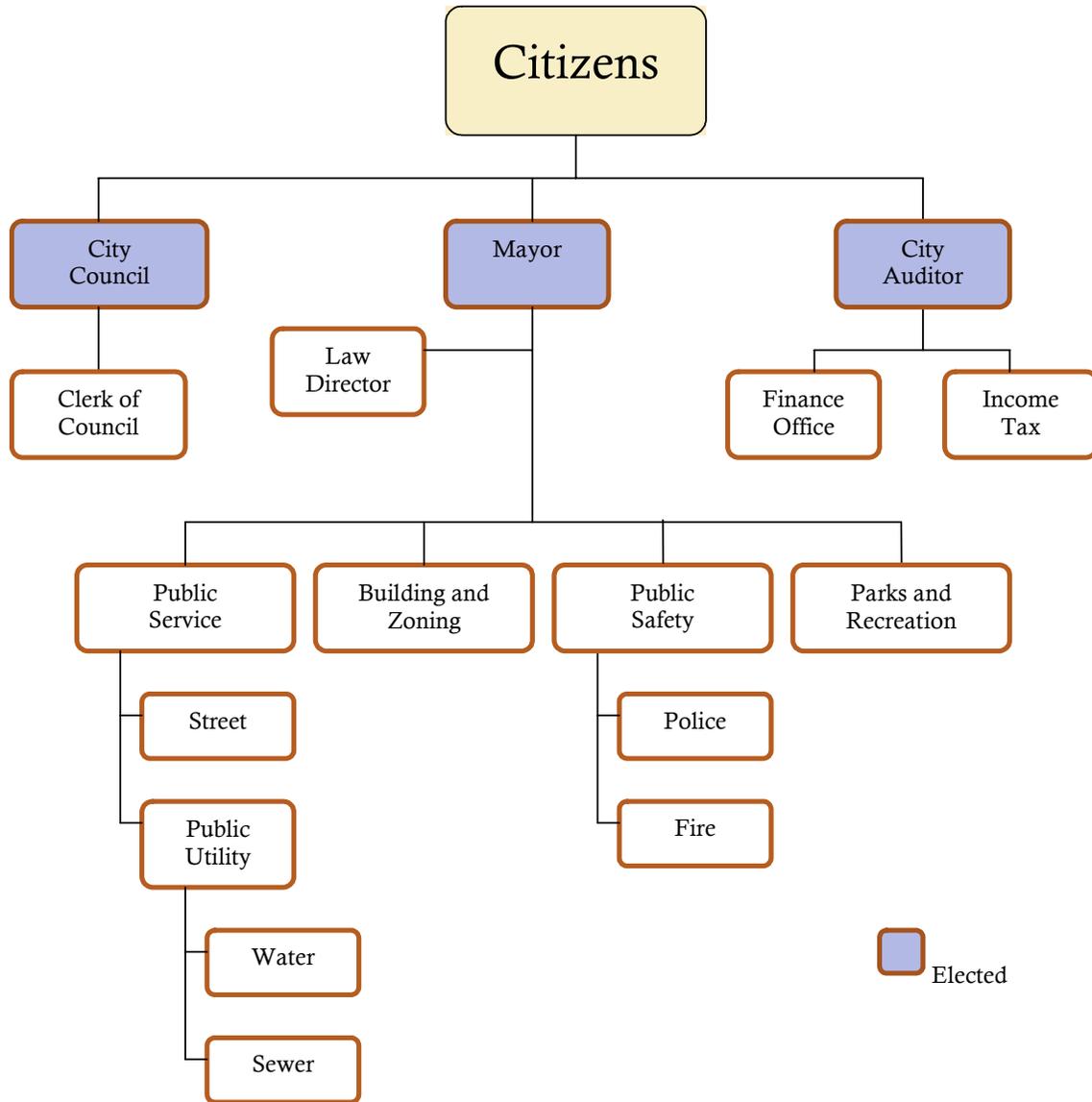
<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>	<i>SURETY</i>
Anne Gilbert	Income Tax Commissioner	Indefinite	A
Anthony Shepherd	Police Chief	Indefinite	
John R. Mason	Police Lieutenant	Indefinite	
Mark Huggins	Fire Chief	Indefinite	
John Geller	Utilities Director	Indefinite	
Robert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

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

City Address:

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

**City Organizational Chart
For the Year Ended December 31, 2007**



Boards and Commissions

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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Heath
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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



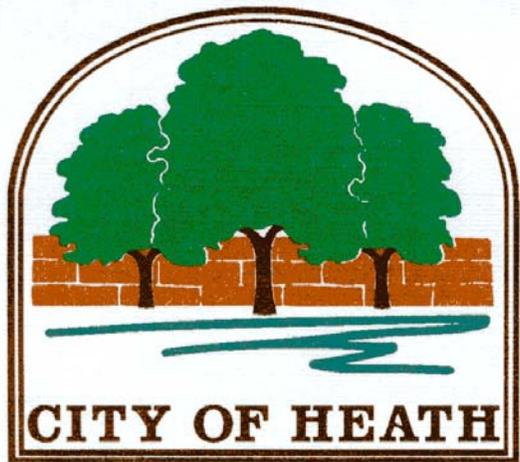
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Heath as of and for the year ended December 31, 2007, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Fire Levy Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2008, on our consideration of the City of Heath's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Independent Auditors Report

Page 2

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

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

Wolfe, Wilson, & Phillips Inc.

Zanesville, Ohio

June 9, 2008

The discussion and analysis of the City of Heath's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2007. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2007 are as follows:

In total, net assets increased \$6,315,029. Net assets of governmental activities increased \$6,229,774 which represents a 25.4% increase from 2006. Net assets of business-type activities increased \$85,255 or .57% from 2006.

General revenues accounted for \$7.93 million in revenue or 41.8% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 58.2% of total revenues of \$19 million.

The City had \$9.1 million in expenses related to governmental activities; \$7.2 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$7.89 million assisted in providing for these programs.

Among major funds, the general fund had \$6.92 million in revenues and \$5.98 million in expenditures. The general fund's fund balance increased \$475,695 to \$3.71 million.

Net assets for enterprise funds increased by \$89,467. Current year activity varied very little from last year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets between December 31, 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$9,779,955	\$9,145,542	\$4,004,933	\$4,498,865	\$13,784,888	\$13,644,407
Capital assets, Net	28,130,364	22,886,972	18,344,752	18,789,028	46,475,116	41,676,000
Total assets	37,910,319	32,032,514	22,349,685	23,287,893	60,260,004	55,320,407
Long-term debt outstanding	5,255,276	5,529,572	7,104,157	8,169,177	12,359,433	13,698,749
Other liabilities	1,943,970	2,021,643	290,500	248,943	2,234,470	2,270,586
Total liabilities	7,199,246	7,551,215	7,394,657	8,418,120	14,593,903	15,969,335
Net assets						
Invested in capital assets, net of related debt	23,589,938	18,092,381	11,369,769	10,723,136	34,959,707	28,815,517
Restricted	3,693,753	3,371,442	0	0	3,693,753	3,371,442
Unrestricted	3,427,382	3,017,476	3,585,259	4,146,637	7,012,641	7,164,113
Total net assets	\$30,711,073	\$24,481,299	\$14,955,028	\$14,869,773	\$45,666,101	\$39,351,072

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2007 and 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for Services and Sales	\$1,174,091	\$854,242	\$3,750,612	\$3,716,055	\$4,924,703	\$4,570,297
Operating Grants and Contributions	641,109	522,557	0	0	641,109	522,557
Capital Grants and Contributions	5,408,548	2,023,759	74,101	79,381	5,482,649	2,103,140
Total Program Revenues	<u>7,223,748</u>	<u>3,400,558</u>	<u>3,824,713</u>	<u>3,795,436</u>	<u>11,048,461</u>	<u>7,195,994</u>
General revenues:						
Property Taxes	1,328,913	1,260,147	0	0	1,328,913	1,260,147
Income Taxes	5,117,840	5,487,407	0	0	5,117,840	5,487,407
Other Local Taxes	12,834	13,295	0	0	12,834	13,295
Intergovernmental Revenue, Unrestricted	845,213	736,664	0	0	845,213	736,664
Investment Earnings	545,309	333,854	42,997	97,856	588,306	431,710
Miscellaneous	41,546	63,559	0	0	41,546	63,559
Total General Revenues	<u>7,891,655</u>	<u>7,894,926</u>	<u>42,997</u>	<u>97,856</u>	<u>7,934,652</u>	<u>7,992,782</u>
Total Revenues	<u>15,115,403</u>	<u>11,295,484</u>	<u>3,867,710</u>	<u>3,893,292</u>	<u>18,983,113</u>	<u>15,188,776</u>
Program Expenses:						
Security of Persons and Property	4,412,475	4,518,609	0	0	4,412,475	4,518,609
Public Health and Welfare Services	55,000	54,000	0	0	55,000	54,000
Leisure Time Activities	1,165,587	1,294,137	0	0	1,165,587	1,294,137
Community Environment	116,430	289,516	0	0	116,430	289,516
Basic Utility Services	48,759	0	0	0	48,759	0
Transportation	1,611,106	1,418,985	0	0	1,611,106	1,418,985
General Government	1,480,358	1,313,015	0	0	1,480,358	1,313,015
Interest and Fiscal Charges	211,364	223,289	0	0	211,364	223,289
Business Type Activities:						
Water	0	0	1,572,649	1,387,196	1,572,649	1,387,196
Sewer	0	0	1,994,356	1,837,990	1,994,356	1,837,990
Total expenses	<u>9,101,079</u>	<u>9,111,551</u>	<u>3,567,005</u>	<u>3,225,186</u>	<u>12,668,084</u>	<u>12,336,737</u>
Change in Net Assets before transfers	6,014,324	2,183,933	300,705	668,106	6,315,029	2,852,039
Transfers	215,450	0	(215,450)	0	0	0
Total Change in Net Assets	6,229,774	2,183,933	85,255	668,106	6,315,029	2,852,039
Beginning Net Assets	<u>24,481,299</u>	<u>22,297,366</u>	<u>14,869,773</u>	<u>14,201,667</u>	<u>39,351,072</u>	<u>36,499,033</u>
Ending Net Assets	<u>\$30,711,073</u>	<u>\$24,481,299</u>	<u>\$14,955,028</u>	<u>\$14,869,773</u>	<u>\$45,666,101</u>	<u>\$39,351,072</u>

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

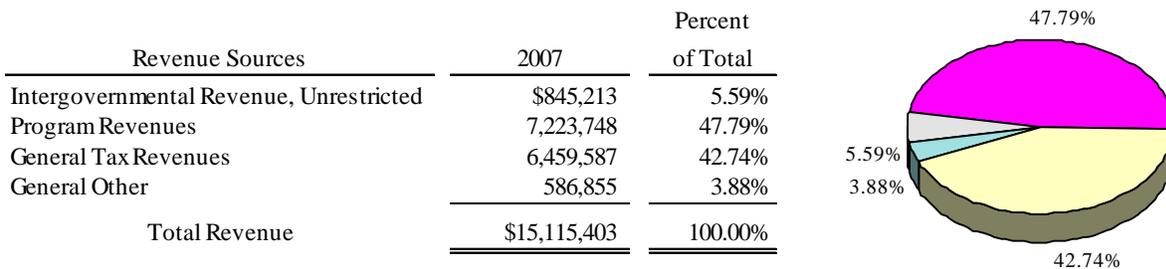
Governmental Activities

Net assets of the City's governmental activities increased by \$6,229,774. The primary cause of the increase is due to the completion of the County Rd. 000 project, administered by the Ohio Department of Transportation (ODOT). The project included relocation of a bridge and rail line paid for by the Federal Government (i.e. donated infrastructure assets). Charges for services increased in 2007 due to a full year of collections from emergency squad billings first implemented by the City in late fall of 2006.

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

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

Property taxes and income taxes made up 8.79% and 33.95% respectively of revenues for governmental activities for the City in fiscal year 2007. The City's reliance upon tax revenues is demonstrated by the following graph indicating 42.74% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business-type activities increased by \$85,255. The .5% increase in net assets reflects the fact that operating results from the business-type activities were consistent with 2006 operations. Very little changed in the day-to-day operations of the Water and Sewer activities.

**Management's Discussion and Analysis
For the Year Ended December 31, 2007****Unaudited****FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$7,257,815, which is an increase from last year's balance of \$6,485,897. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2007 and 2006:

	Fund Balance December 31, 2007	Fund Balance December 31, 2006	Increase (Decrease)
General	\$3,709,629	\$3,233,934	\$475,695
Fire Levy	260,218	288,596	(28,378)
Capital Improvement Fund	2,048,733	1,571,105	477,628
Other Governmental	1,239,235	1,392,262	(153,027)
Total	<u>\$7,257,815</u>	<u>\$6,485,897</u>	<u>\$771,918</u>

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

	2007 Revenues	2006 Revenues	Increase (Decrease)
Taxes	\$5,108,653	\$5,555,515	(\$446,862)
Intergovernmental Revenue	681,786	666,651	15,135
Charges for Services	419,408	153,321	266,087
Licenses and Permits	59,600	33,701	25,899
Investment Earnings	585,800	306,057	279,743
Fines and Forfeitures	20,956	19,888	1,068
All Other Revenue	41,546	63,260	(21,714)
Total	<u>\$6,917,749</u>	<u>\$6,798,393</u>	<u>\$119,356</u>

General Fund revenues in 2007 increased approximately 1.76% compared to revenues in fiscal year 2006. The most significant factor contributing to this increase was collection of a full year of emergency squad billings. This added revenue source accounted for additional funds on deposit in the City's cash and investment accounts, resulting in higher investment earnings.

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

	2007	2006	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$3,470,346	\$3,339,846	\$130,500
Public Health and Welfare Services	55,000	54,000	1,000
Leisure Time Activities	756,188	724,190	31,998
Community Environment	286,914	275,817	11,097
General Government	1,415,187	1,272,527	142,660
Debt Service:			
Principal Retirement	2,196	4,768	(2,572)
Interest and Fiscal Charges	78	452	(374)
Total	\$5,985,909	\$5,671,600	\$314,309

General Fund expenditures increased by \$314,309 or 5.5% over the prior year due primarily to higher departmental charges needed to cover increased self-insurance claims.

Fire Levy Fund – The balance of this fund decreased by \$28,378 or 9.8% under the prior year. In 2007, the fire department purchased a new EMS unit, accounting for the decrease in fund balance.

Capital Improvement Fund – The balance in this fund can fluctuate by 50% or more in a given year because this fund is utilized to account for the majority of the City's capital improvements. The level of funding and expenditures vary depending on the City's capital plans for the given year. During 2007, the fund balance increased by 30.4% due primarily to the fact that the income tax revenue allocation changed, providing additional funds for future capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2007, the City amended its General Fund budget several times. The increase in the final budgeted appropriations of \$411,600 and the positive variance with the final budget of \$329,797 was the result of carefully watchful spending.

For the General Fund, final budget basis revenue of \$6,559,502 increased by \$214,256 over the original budget estimates of \$6,345,246 primarily as a result of increased intergovernmental revenue and interest collections.

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007 the City had \$46,475,116 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$28,130,364 was related to governmental activities and \$18,344,752 to the business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$9,341,222	\$6,091,222	\$3,250,000
Construction in Progress	639,481	1,002,973	(363,492)
Total Non-Depreciable Capital Assets	9,980,703	7,094,195	2,886,508
Buildings	4,818,598	4,811,671	6,927
Improvements Other Than Buildings	3,503,993	2,935,649	568,344
Machinery and Equipment	6,781,795	6,414,154	367,641
Infrastructure	17,654,164	15,395,600	2,258,564
Less: Accumulated Depreciation	(14,608,889)	(13,764,297)	(844,592)
Total Depreciable Capital Assets	18,149,661	15,792,777	2,356,884
Totals	\$28,130,364	\$22,886,972	\$5,243,392

	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$397,374	\$397,374	\$0
Construction in Progress	262,312	90,619	171,693
Total Non-Depreciable Capital Assets	659,686	487,993	171,693
Buildings	12,715,457	12,715,457	0
Improvements Other Than Buildings	1,515,418	1,515,418	0
Machinery and Equipment	5,047,449	4,872,272	175,177
Infrastructure	14,962,368	14,962,368	0
Less: Accumulated Depreciation	(16,555,626)	(15,764,480)	(791,146)
Total Depreciable Capital Assets	17,685,066	18,301,035	(615,969)
Totals	\$18,344,752	\$18,789,028	(\$444,276)

***Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Unaudited

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

As of December 31, 2007, the City has contractual commitments of \$638,113 for various projects. Additional information on the City's capital assets can be found in Note 8.

Debt

At December 31, 2007, the City had \$6.66 million in bonds outstanding, \$400,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Governmental Activities:		
General Obligation Bonds	\$4,480,000	\$4,715,000
Capital Leases	60,426	79,591
Compensated Absences	<u>714,850</u>	<u>734,981</u>
Total Governmental Activities	5,255,276	5,529,572
Business-Type Activities:		
General Obligation Bonds	2,180,000	2,330,000
OWDA Loans	4,794,983	5,735,892
Compensated Absences	<u>129,174</u>	<u>103,285</u>
Total Business-Type Activities	<u>7,104,157</u>	<u>8,169,177</u>
Totals	<u>\$12,359,433</u>	<u>\$13,698,749</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Heath lies, is limited to ten mills. At December 31, 2007, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

Income tax collections for 2007 were down slightly from 2006.

General Fund expenditures were budgeted at 5% less than 2007 actual expenditures. In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated. Also affecting the General Fund and budget are the ever increasing costs associated with employee pay raises, and upwardly spiraling health insurance costs.

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

REQUESTS FOR INFORMATION

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

CITY OF HEATH, OHIO

**Statement of Net Assets
December 31, 2007**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,806,934	\$ 2,389,818	\$ 6,196,752
Investments	2,883,041	1,134,113	4,017,154
Receivables:			
Taxes	2,006,232	0	2,006,232
Accounts	6,862	480,407	487,269
Intergovernmental	617,933	0	617,933
Interest	9,075	0	9,075
Internal Balances	89,119	(89,119)	0
Inventory of Supplies at Cost	150,949	47,571	198,520
Prepaid Items	87,723	42,143	129,866
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	122,087	0	122,087
Non-Depreciable Capital Assets	9,980,703	659,686	10,640,389
Depreciable Capital Assets, Net	18,149,661	17,685,066	35,834,727
Total Assets	37,910,319	22,349,685	60,260,004
Liabilities:			
Accounts Payable	71,367	138,599	209,966
Accrued Wages and Benefits Payable	406,414	39,755	446,169
Intergovernmental Payable	2,694	0	2,694
Claims Payable	92,762	0	92,762
Unearned Revenue	1,352,278	0	1,352,278
Accrued Interest Payable	18,455	112,146	130,601
Noncurrent liabilities:			
Due within one year	306,321	752,048	1,058,369
Due in more than one year	4,948,955	6,352,109	11,301,064
Total Liabilities	7,199,246	7,394,657	14,593,903
Net Assets:			
Invested in Capital Assets, Net of Related Debt	23,589,938	11,369,769	34,959,707
Restricted For:			
Capital Projects	2,526,643	0	2,526,643
Debt Service	192,509	0	192,509
Other Purposes	974,601	0	974,601
Unrestricted	3,427,382	3,585,259	7,012,641
Total Net Assets	\$ 30,711,073	\$ 14,955,028	\$ 45,666,101

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2007**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,412,475	\$ 414,707	\$ 0	\$ 51,152
Public Health and Welfare Services	55,000	0	0	0
Leisure Time Activities	1,165,587	681,222	0	230,184
Community Environment	116,430	52,913	0	0
Basic Utility Services	48,759	4,592	0	29,839
Transportation	1,611,106	18,538	641,109	5,084,586
General Government	1,480,358	2,119	0	12,787
Interest and Fiscal Charges	211,364	0	0	0
Total Governmental Activities	9,101,079	1,174,091	641,109	5,408,548
Business-Type Activities:				
Water	1,572,649	1,409,782	0	0
Sewer	1,994,356	2,340,830	0	74,101
Total Business-Type Activities	3,567,005	3,750,612	0	74,101
Totals	\$ 12,668,084	\$ 4,924,703	\$ 641,109	\$ 5,482,649

General Revenues:

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,946,616)	\$ 0	\$ (3,946,616)
(55,000)	0	(55,000)
(254,181)	0	(254,181)
(63,517)	0	(63,517)
(14,328)	0	(14,328)
4,133,127	0	4,133,127
(1,465,452)	0	(1,465,452)
(211,364)	0	(211,364)
<u>(1,877,331)</u>	<u>0</u>	<u>(1,877,331)</u>
0	(162,867)	(162,867)
0	420,575	420,575
<u>0</u>	<u>257,708</u>	<u>257,708</u>
<u>(1,877,331)</u>	<u>257,708</u>	<u>(1,619,623)</u>
1,328,913	0	1,328,913
5,117,840	0	5,117,840
12,834	0	12,834
845,213	0	845,213
545,309	42,997	588,306
41,546	0	41,546
215,450	(215,450)	0
<u>8,107,105</u>	<u>(172,453)</u>	<u>7,934,652</u>
6,229,774	85,255	6,315,029
<u>24,481,299</u>	<u>14,869,773</u>	<u>39,351,072</u>
<u>\$ 30,711,073</u>	<u>\$ 14,955,028</u>	<u>\$ 45,666,101</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2007**

	<u>General</u>	<u>Fire Levy</u>	<u>Capital Improvement</u>
Assets:			
Cash and Cash Equivalents	\$ 1,368,925	\$ 302,343	\$ 862,538
Investments	1,784,296	0	1,098,745
Receivables:			
Taxes	1,180,527	577,779	42,316
Accounts	6,862	0	0
Intergovernmental	247,019	37,366	49,867
Interest	9,075	0	0
Interfund Loans Receivables	78,590	0	0
Inventory of Supplies, at Cost	94,735	0	0
Prepaid Items	73,718	955	0
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Total Assets	<u>\$ 4,843,747</u>	<u>\$ 918,443</u>	<u>\$ 2,053,466</u>
Liabilities:			
Accounts Payable	\$ 51,195	\$ 125	\$ 0
Accrued Wages and Benefits Payable	199,119	42,955	0
Intergovernmental Payable	2,694	0	0
Deferred Revenue	881,110	615,145	4,733
Total Liabilities	<u>1,134,118</u>	<u>658,225</u>	<u>4,733</u>
Fund Balances:			
Reserved for Encumbrances	18,921	7,994	594,831
Reserved for Prepaid Items	112,079	955	0
Reserved for Supplies Inventory	94,735	0	0
Reserved for Debt Service	0	0	0
Reserved for Interfund Loans Receivable	78,590	0	0
Undesignated, Unreserved in:			
General Fund	3,405,304	0	0
Special Revenue Funds	0	251,269	0
Capital Projects Funds	0	0	1,453,902
Permanent Fund	0	0	0
Total Fund Balances	<u>3,709,629</u>	<u>260,218</u>	<u>2,048,733</u>
Total Liabilities and Fund Balances	<u>\$ 4,843,747</u>	<u>\$ 918,443</u>	<u>\$ 2,053,466</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,235,571	\$ 3,769,377
0	2,883,041
205,610	2,006,232
0	6,862
283,681	617,933
0	9,075
0	78,590
56,214	150,949
13,050	87,723
122,087	122,087
<u>\$ 1,916,213</u>	<u>\$ 9,731,869</u>
\$ 20,047	\$ 71,367
164,340	406,414
0	2,694
<u>492,591</u>	<u>1,993,579</u>
<u>676,978</u>	<u>2,474,054</u>
4,343	626,089
13,050	126,084
56,214	150,949
207,537	207,537
0	78,590
0	3,405,304
393,390	644,659
477,910	1,931,812
86,791	86,791
<u>1,239,235</u>	<u>7,257,815</u>
<u>\$ 1,916,213</u>	<u>\$ 9,731,869</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2007***

Total Governmental Fund Balances \$ 7,257,815

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

Capital Assets used in governmental activities are not resources and
therefore are not reported in the funds. 28,130,364

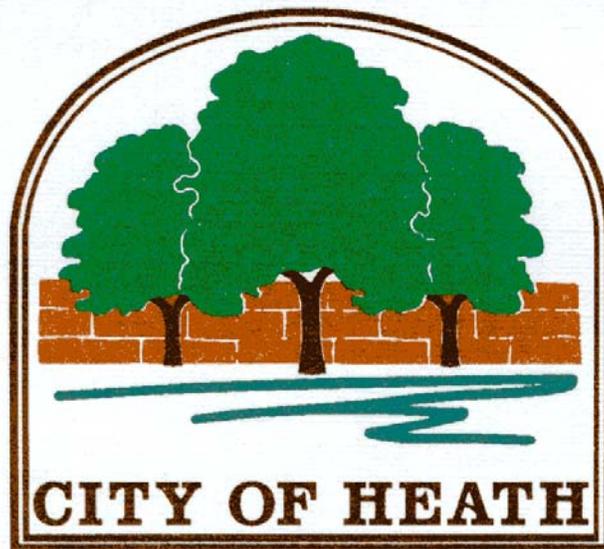
Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 641,301

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds. (5,273,731)

The Internal Service Fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service funds is included in governmental activities in the statement of
net assets. This is the balance that is recorded in the governmental
activities. (44,676)

Net Assets of Governmental Funds \$ 30,711,073

See accompanying notes to the basic financial statements



CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007**

	General	Fire Levy	Capital Improvement
Revenues:			
Taxes	\$ 5,108,653	\$ 549,593	\$ 411,859
Intergovernmental Revenues	681,786	91,302	426,266
Charges for Services	419,408	0	0
Licenses and Permits	59,600	0	0
Investment Earnings	585,800	8,983	0
Fines and Forfeitures	20,956	0	0
All Other Revenue	41,546	23,931	65,601
Total Revenue	6,917,749	673,809	903,726
Expenditures:			
Current:			
Security of Persons and Property	3,470,346	702,187	83,795
Public Health and Welfare Services	55,000	0	0
Leisure Time Activities	756,188	0	385,858
Community Environment	286,914	0	0
Basic Utility Services	0	0	48,759
Transportation	0	0	165,286
General Government	1,415,187	0	19,125
Debt Service:			
Principal Retirement	2,196	0	0
Interest and Fiscal Charges	78	0	0
Total Expenditures	5,985,909	702,187	702,823
Excess (Deficiency) of Revenues Over Expenditures	931,840	(28,378)	200,903
Other Financing Sources (Uses):			
Transfers In	0	0	332,905
Transfers Out	(485,000)	0	(56,180)
Total Other Financing Sources (Uses)	(485,000)	0	276,725
Net Change in Fund Balance	446,840	(28,378)	477,628
Fund Balances at Beginning of Year	3,233,934	288,596	1,571,105
Increase (Decrease) in Inventory Reserve	28,855	0	0
Fund Balances End of Year	\$ 3,709,629	\$ 260,218	\$ 2,048,733

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 441,259	\$ 6,511,364
819,792	2,019,146
532,327	951,735
0	59,600
4,222	599,005
31,733	52,689
20,535	151,613
<u>1,849,868</u>	<u>10,345,152</u>
423,139	4,679,467
0	55,000
395,112	1,537,158
0	286,914
0	48,759
1,138,982	1,304,268
0	1,434,312
251,969	254,165
212,477	212,555
<u>2,421,679</u>	<u>9,812,598</u>
(571,811)	532,554
587,282	920,187
(163,557)	(704,737)
<u>423,725</u>	<u>215,450</u>
(148,086)	748,004
1,392,262	6,485,897
(4,941)	23,914
<u>1,239,235</u>	<u>7,257,815</u>

CITY OF HEATH, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2007***

Net Change in Fund Balances - Total Governmental Funds \$ 748,004

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and capital contributions exceeded depreciation. 5,271,114

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (27,722)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (39,331)

The repayment of principal of long-term debt consumes current financial resources of governmental funds, however it does not have any effect on net assets. 254,165

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,191

Some expenses reported in the statement of activities, such as change in inventory and compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 44,045

The Internal Service Fund, is used to charge the cost of services (e.g. insurance) to individual funds, is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities. (21,692)

Change in Net Assets of Governmental Activities \$ 6,229,774

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,157,342	\$ 5,154,842	\$ 5,169,945	\$ 15,103
Intergovernmental Revenue	513,454	660,222	712,811	52,589
Charges for Services	334,400	386,750	419,408	32,658
Licenses and Permits	31,250	48,888	59,600	10,712
Investment Earnings	275,000	275,000	481,045	206,045
Fines and Forfeitures	17,700	17,700	20,629	2,929
All Other Revenues	16,100	16,100	41,546	25,446
Total Revenues	<u>6,345,246</u>	<u>6,559,502</u>	<u>6,904,984</u>	<u>345,482</u>
Expenditures:				
Current:				
Security of Persons and Property	3,467,965	3,651,349	3,493,131	158,218
Public Health and Welfare Services	54,000	55,000	55,000	0
Leisure Time Activities	826,775	841,775	753,049	88,726
Community Environment	286,914	301,914	281,711	20,203
General Government	1,371,475	1,490,101	1,427,451	62,650
Total Expenditures	<u>6,007,129</u>	<u>6,340,139</u>	<u>6,010,342</u>	<u>329,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	338,117	219,363	894,642	675,279
Other Financing Sources (Uses):				
Transfers Out	(485,000)	(485,000)	(485,000)	0
Advances Out	0	(78,590)	(78,590)	0
Total Other Financing Sources (Uses):	<u>(485,000)</u>	<u>(563,590)</u>	<u>(563,590)</u>	<u>0</u>
Net Change in Fund Balance	(146,883)	(344,227)	331,052	675,279
Fund Balance at Beginning of Year	2,681,015	2,681,015	2,681,015	0
Prior Year Encumbrances	68,454	68,454	68,454	0
Fund Balance at End of Year	<u>\$ 2,602,586</u>	<u>\$ 2,405,242</u>	<u>\$ 3,080,521</u>	<u>\$ 675,279</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 540,785	\$ 540,785	\$ 549,593	\$ 8,808
Intergovernmental Revenue	67,462	90,317	92,415	2,098
Investment Earnings	6,500	7,000	8,983	1,983
All Other Revenues	0	0	81	81
Total Revenues	<u>614,747</u>	<u>638,102</u>	<u>651,072</u>	<u>12,970</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>710,176</u>	<u>746,625</u>	<u>730,269</u>	<u>16,356</u>
Total Expenditures	<u>710,176</u>	<u>746,625</u>	<u>730,269</u>	<u>16,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,429)	(108,523)	(79,197)	29,326
Other Financing Sources (Uses):				
Sale of Capital Assets	<u>0</u>	<u>22,866</u>	<u>23,850</u>	<u>984</u>
Total Other Financing Sources (Uses):	<u>0</u>	<u>22,866</u>	<u>23,850</u>	<u>984</u>
Net Change in Fund Balance	(95,429)	(85,657)	(55,347)	30,310
Fund Balance at Beginning of Year	323,943	323,943	323,943	0
Prior Year Encumbrances	<u>25,628</u>	<u>25,628</u>	<u>25,628</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 254,142</u>	<u>\$ 263,914</u>	<u>\$ 294,224</u>	<u>\$ 30,310</u>

See accompanying notes to the basic financial statements



CITY OF HEATH, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Water	Sewer	Total	Internal Service Fund
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 775,417	\$ 1,614,401	\$ 2,389,818	\$ 37,557
Investments	0	1,134,113	1,134,113	0
Receivables:				
Accounts	182,587	297,820	480,407	0
Inventory of Supplies at Cost	41,311	6,260	47,571	0
Prepaid Items	19,613	22,530	42,143	0
Total current assets	<u>1,018,928</u>	<u>3,075,124</u>	<u>4,094,052</u>	<u>37,557</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	372,806	286,880	659,686	0
Depreciable Capital Assets, Net	9,025,666	8,659,400	17,685,066	0
Total noncurrent assets	<u>9,398,472</u>	<u>8,946,280</u>	<u>18,344,752</u>	<u>0</u>
Total Assets	<u>10,417,400</u>	<u>12,021,404</u>	<u>22,438,804</u>	<u>37,557</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	90,290	48,309	138,599	0
Accrued Wages and Benefits Payable	23,750	16,005	39,755	0
Claims Payable	0	0	0	92,762
Interfund Loans Payable	78,590	0	78,590	0
Accrued Interest Payable	8,471	103,675	112,146	0
General Obligation Bonds Payable - Current	155,000	0	155,000	0
OWDA Loans Payable - Current	0	553,163	553,163	0
Compensated Absences Payable - Current	38,128	5,757	43,885	0
Total current liabilities	<u>394,229</u>	<u>726,909</u>	<u>1,121,138</u>	<u>92,762</u>
Noncurrent liabilities:				
General Obligation Bonds Payable	2,025,000	0	2,025,000	0
OWDA Loans Payable	0	4,241,820	4,241,820	0
Compensated Absences Payable	50,937	34,352	85,289	0
Total noncurrent liabilities	<u>2,075,937</u>	<u>4,276,172</u>	<u>6,352,109</u>	<u>0</u>
Total Liabilities	<u>2,470,166</u>	<u>5,003,081</u>	<u>7,473,247</u>	<u>92,762</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	7,218,472	4,151,297	11,369,769	0
Unrestricted	728,762	2,867,026	3,595,788	(55,205)
Total net assets	<u>\$ 7,947,234</u>	<u>\$ 7,018,323</u>	<u>14,965,557</u>	<u>\$ (55,205)</u>
Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.			(10,529)	
Net Assets of Business-type Activities			<u>\$ 14,955,028</u>	

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Water	Sewer	Total	Internal Service Fund
Operating Revenues:				
Charges for Services	\$ 1,406,771	\$ 2,338,768	\$ 3,745,539	\$ 763,140
Other Operating Revenue	3,011	2,062	5,073	144,859
Total Operating Revenues	<u>1,409,782</u>	<u>2,340,830</u>	<u>3,750,612</u>	<u>907,999</u>
Operating Expenses:				
Personal Services	549,526	403,884	953,410	0
Contractual Services	424,233	711,480	1,135,713	0
Materials and Supplies	137,377	95,544	232,921	0
Health Claims Expense	0	0	0	933,903
Depreciation	351,700	444,355	796,055	0
Total Operating Expenses	<u>1,462,836</u>	<u>1,655,263</u>	<u>3,118,099</u>	<u>933,903</u>
Operating Income (Loss)	(53,054)	685,567	632,513	(25,904)
Non-operating Revenue (Expenses):				
Intergovernmental Revenues	0	74,101	74,101	0
Investment Earnings	0	42,997	42,997	0
Interest and Fiscal Charges	(107,634)	(335,071)	(442,705)	0
Loss on Disposal of Capital Assets	0	(1,989)	(1,989)	0
Total Non-operating Revenues (Expenses)	<u>(107,634)</u>	<u>(219,962)</u>	<u>(327,596)</u>	<u>0</u>
Income (Loss) Before Transfers and Contributions	(160,688)	465,605	304,917	(25,904)
Transfers In	0	14,550	14,550	0
Transfers Out	0	(230,000)	(230,000)	0
Change in Net Assets	(160,688)	250,155	89,467	(25,904)
Net Assets Beginning of Year	<u>8,107,922</u>	<u>6,768,168</u>	<u>14,876,090</u>	<u>(29,301)</u>
Net Assets End of Year	<u>\$ 7,947,234</u>	<u>\$ 7,018,323</u>	<u>14,965,557</u>	<u>\$ (55,205)</u>
			Change in Net Assets - Total Enterprise Funds	89,467
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(4,212)
			Change in Net Assets - Business-type Activities	<u>\$ 85,255</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities Enterprise Funds			Governmental- Activities Internal Service Fund
	Water	Sewer	Total	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,378,039	\$2,329,789	\$3,707,828	\$763,140
Cash Payments for Goods and Services	(536,154)	(806,520)	(1,342,674)	(955,722)
Cash Payments to Employees	(537,686)	(385,854)	(923,540)	0
Other Operating Cash Receipts	3,011	2,062	5,073	144,859
Net Cash Provided (Used) by Operating Activities	<u>307,210</u>	<u>1,139,477</u>	<u>1,446,687</u>	<u>(47,723)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Advance In from Other Funds	78,590	0	78,590	0
Transfers In from Other Funds	0	14,550	14,550	0
Transfers Out from Other Funds	0	(230,000)	(230,000)	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>78,590</u>	<u>(215,450)</u>	<u>(136,860)</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(150,000)	0	(150,000)	0
Intergovernmental Grants	0	74,101	74,101	0
Acquisition and Construction of Assets	(13,037)	(287,580)	(300,617)	0
Principal Paid on Ohio Water Development Authority Loans	0	(940,909)	(940,909)	0
Interest Paid on All Debt	(108,178)	(375,911)	(484,089)	0
Net Cash Used for Capital and Related Financing Activities	<u>(271,215)</u>	<u>(1,530,299)</u>	<u>(1,801,514)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	0	(24,395)	(24,395)	0
Net Cash Used by Investing Activities	<u>0</u>	<u>(24,395)</u>	<u>(24,395)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	114,585	(630,667)	(516,082)	(47,723)
Cash and Cash Equivalents at Beginning of Year	<u>660,832</u>	<u>2,245,068</u>	<u>2,905,900</u>	<u>85,280</u>
Cash and Cash Equivalents at End of Year	<u>\$775,417</u>	<u>\$1,614,401</u>	<u>\$2,389,818</u>	<u>\$37,557</u>

	Business-Type Activities Enterprise Funds			Governmental- Activities Internal Service Fund
	Water	Sewer	Total	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	(\$53,054)	\$685,567	\$632,513	(\$25,904)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	351,700	444,355	796,055	0
Changes in Assets and Liabilities:				
(Increase) in Accounts Receivable	(28,732)	(8,979)	(37,711)	0
Decrease in Inventory	11,084	4,897	15,981	0
Decrease in Prepaid Items	2,409	1,176	3,585	0
Increase (Decrease) in Accounts Payable	11,963	(5,569)	6,394	0
Decrease in Health Claims Payable	0	0	0	(21,819)
Increase in Accrued Wages and Benefits Payable	1,315	2,666	3,981	0
Increase in Compensated Absences Payable	10,525	15,364	25,889	0
Total Adjustments	360,264	453,910	814,174	(21,819)
Net Cash Provided (Used) by Operating Activities	\$307,210	\$1,139,477	\$1,446,687	(\$47,723)

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2007 the Water Fund had an outstanding liability of \$59,250 for the purchase of certain capital assets. The fair value of investments reported in the Sewer Fund increased by \$62,412 during 2007.

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Assets
Fiduciary Fund
December 31, 2007**

	Private Purpose Trust
Assets:	
Cash and Cash Equivalents	\$ 4,374
Total Assets	<u>4,374</u>
Total Liabilities	<u>0</u>
Net Assets:	
Unrestricted	4,374
Total Net Assets	<u>\$ 4,374</u>

See accompanying notes to the basic financial statements

***Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2007***

	Private Purpose Trust
Additions:	
Contributions	\$ 5
Total Additions	<u>5</u>
Deductions:	
Total Deductions	<u>0</u>
Change in Net Assets	5
Net Assets at Beginning of Year	<u>4,369</u>
Net Assets End of Year	<u>\$ 4,374</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2007 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

Property taxes measurable as of December 31, 2007 but which are not intended to finance 2007 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

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

E. Budgetary Process

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

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

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. During 2007, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	\$446,840	(\$28,378)
Increase (Decrease):		
Accrued Revenues at December 31, 2007 received during 2008	(681,453)	0
Accrued Revenues at December 31, 2006 received during 2007	590,098	1,113
Accrued Expenditures at December 31, 2007 paid during 2008	253,008	43,080
Accrued Expenditures at December 31, 2006 paid during 2007	(248,334)	(63,040)
2006 Prepays for 2007	76,821	952
2007 Prepays for 2008	(73,718)	(955)
Outstanding Encumbrances	(32,210)	(8,119)
Budget Basis	<u>\$331,052</u>	<u>(\$55,347)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2007, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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

G. Investments

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

The City has invested funds in the STAR Ohio during 2007. 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, 2007.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

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

2. Property, Plant and Equipment – Business Type Activities

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

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

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

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

K. Long-Term Obligations

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

M. Restricted Assets

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

N. Pensions

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

O. Operating Revenues and Expenses

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Self-Funded Insurance

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

Q. Interfund Activity

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

R. Reservations of Fund Balance

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

S. Net Assets

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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

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

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

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

Delinquent Income Tax Revenue	\$65,278
Delinquent Property Tax Revenue	70,294
Interest Income	9,075
Shared Revenues	496,654
	<hr/>
	\$641,301

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$4,480,000)
Capital Leases Payable	(60,426)
Accrued Interest on Long-Term Debt	(18,455)
Compensated Absences Payable	(714,850)
	<hr/>
	(\$5,273,731)

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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

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

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

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

Capital Outlay	\$6,515,706
Depreciation Expense	<u>(1,244,592)</u>
	\$5,271,114

Governmental revenues not reported in the funds:

Decrease in Delinquent Income Tax Revenue	(\$64,843)
Increase in Delinquent Property Tax	13,066
Increase in Shared Revenue	66,142
Decrease in Interest Income	<u>(53,696)</u>
	(\$39,331)

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

General Obligation Bond Principal	\$235,000
Capital Lease Payments	<u>19,165</u>
	\$254,165

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	\$20,131
Increase in supplies inventory	<u>23,914</u>
	\$44,045

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2007 of \$38,733 in the Fire Pension Fund, \$51,033 in the Police Pension Fund (special revenue funds) and of \$55,205 in the Self Insurance Fund (internal service fund) arise from the recognition of expenditures/expenses on the modified accrual/accrual basis that are greater than expenditures/expenses recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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

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

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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

A. Deposits (Continued)

limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$3,105,687 and the bank balance was \$5,667,973. Federal depository insurance covered \$400,000 of the bank balance. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$5,315,502</u>
Total Balance	<u><u>\$5,315,502</u></u>

B. Investments

The City's investments at December 31, 2007 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
STAR Ohio	\$982,928	AAAm ¹	\$982,928	\$0	\$0
FNMA	843,453	AAA ¹	336,126	507,327	0
FHLB	1,691,137	AAA ¹	540,916	778,611	371,610
FHLMC	1,081,589	AAA ¹	100,375	981,214	0
US Treasury Note	123,668		0	123,668	0
Total Investments	<u>\$4,722,775</u>		<u>\$1,960,345</u>	<u>\$2,390,820</u>	<u>\$371,610</u>

1. Standard & Poor's
2. All are fully FDIC insured and therefore have an implied AAA credit rating

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 17.9% are FNMA, 35.8% are FHLB, 22.9% are FHLMC, 20.8% are STAR Ohio and 2.6% are US Treasury Notes.

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$122,087 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per GASB Statement No. 9	\$3,811,308	\$4,017,154
Certificates of Deposit (with maturities of more than 3 months)	277,307	(277,307)
Investments:		
STAR Ohio	(982,928)	982,928
Per GASB Statement No. 3	<u>\$3,105,687</u>	<u>\$4,722,775</u>

* Does not include cash with fiscal agent.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the City and used in business. Real property taxes (other than public utility) collected during 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2007. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. 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 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2007 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2007 levy was based was \$275,592,260. This amount constitutes \$257,023,110 in real property assessed value, \$4,954,110 in public utility assessed value and \$13,615,040 in tangible personal property assessed value.

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

B. Income Tax

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 6 - RECEIVABLES

Receivables at December 31, 2007 consisted of taxes, interest, interfund loans, accounts receivables and intergovernmental receivables arising from shared revenues.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2007:

Fund	Transfer In	Transfer Out
Governmental Activities:		
General Fund	\$0	\$485,000
Capital Improvement Fund	332,905	56,180
Other Governmental Funds	587,282	163,557
Total Governmental Transfers	920,187	704,737
Business Type Activities:		
Sewer Fund	14,550	230,000
Total Business Type Transfers	14,550	230,000
Totals	\$934,737	\$934,737

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

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2007:

Historical Cost:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Non-Depreciable Capital Assets:				
Land	\$6,091,222	\$3,250,000	\$0	\$9,341,222
Construction in Progress	1,002,973	238,613	(602,105)	639,481
Subtotal	7,094,195	3,488,613	(602,105)	9,980,703
Depreciable Capital Assets:				
Buildings	4,811,671	6,927	0	4,818,598
Improvements other than Buildings	2,935,649	568,344	0	3,503,993
Machinery and Equipment	6,414,154	537,427	(169,786)	6,781,795
Infrastructure	15,395,600	2,516,500	(257,936)	17,654,164
Subtotal	29,557,074	3,629,198	(427,722)	32,758,550
Total Cost	<u>\$36,651,269</u>	<u>\$7,117,811</u>	<u>(\$1,029,827)</u>	<u>\$42,739,253</u>

Accumulated Depreciation:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$2,035,601)	(\$113,953)	\$0	(\$2,149,554)
Improvements other than Buildings	(876,139)	(150,678)	0	(1,026,817)
Machinery and Equipment	(4,286,449)	(369,808)	169,786	(4,486,471)
Infrastructure	(6,566,108)	(610,153)	230,214	(6,946,047)
Total Depreciation	<u>(\$13,764,297)</u>	<u>(\$1,244,592) *</u>	<u>\$400,000</u>	<u>(\$14,608,889)</u>
Net Value:	<u>\$22,886,972</u>			<u>\$28,130,364</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$269,047
Leisure Time Activities	209,770
Community Environment	22,612
Transportation	717,804
General Government	25,359
Total Depreciation Expense	<u>\$1,244,592</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2007:

Historical Cost:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Non-Depreciable Capital Assets:				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	90,619	245,193	(73,500)	262,312
Subtotal	487,993	245,193	(73,500)	659,686
Depreciable Capital Assets:				
Buildings	12,715,457	0	0	12,715,457
Improvements Other Than Buildings	1,515,418	0	0	1,515,418
Machinery and Equipment	4,872,272	182,075	(6,898)	5,047,449
Infrastructure	14,962,368	0	0	14,962,368
Subtotal	34,065,515	182,075	(6,898)	34,240,692
Total Cost	\$34,553,508	\$427,268	(\$80,398)	\$34,900,378

Accumulated Depreciation:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$4,378,854)	(\$321,279)	\$0	(\$4,700,133)
Improvements Other Than Buildings	(678,226)	(75,146)	0	(753,372)
Machinery and Equipment	(3,985,907)	(106,078)	4,909	(4,087,076)
Infrastructure	(6,721,493)	(293,552)	0	(7,015,045)
Total Depreciation	(\$15,764,480)	(\$796,055)	\$4,909	(\$16,555,626)
Net Value:	\$18,789,028			\$18,344,752

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (the “Ohio PERS”)

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2007, 2006, and 2005 were \$346,273, \$397,566 and \$354,470, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$137,509.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2007, 2006, and 2005 were \$217,527, \$209,348 and \$207,341 for police and \$248,018, \$241,120 and \$256,342 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received 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 on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2007 covered payroll that was used to fund postemployment health care benefits was \$75,298 representing 6.75% of covered payroll for police and \$69,755 representing 6.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 10 – COMPENSATED ABSENCES

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

At December 31, 2007, the City's accumulated, unpaid compensated absences amounted to \$844,024. Of this amount, \$714,850 is recorded as Governmental Activities on the Entity Wide Statement of Net Assets (\$43,721 is reported as due within one year), \$129,174 is recorded as Business-type activities (\$43,885 is reported as due within one year).

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CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 11 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2007 were as follows:

	Original Liability		Balance December 31, 2006	Additions	(Reductions)	Balance December 31, 2007	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
3.70 - 4.75% Fire Station Improvement	\$1,900,000	2018	\$1,325,000	\$0	(\$85,000)	\$1,240,000	\$90,000
4.25 - 5.05% Swimming Pool Improvement	1,850,000	2022	1,585,000	0	(70,000)	1,515,000	75,000
3.00 - 5.00% State Route 79 Improvement	2,035,000	2023	1,805,000	0	(80,000)	1,725,000	80,000
Total General Obligation Bonds			4,715,000	0	(235,000)	4,480,000	245,000
Capital Leases	117,512		79,591	0	(19,165)	60,426	17,600
Compensated Absences			734,981	714,850	(734,981)	714,850	43,721
Total Governmental Long-Term Debt			\$5,529,572	\$714,850	(\$989,146)	\$5,255,276	\$306,321
Business Type Activities:							
General Obligation Bond:							
3.70 - 4.75% Water Improvement	\$3,340,000	2018	\$2,330,000	\$0	(\$150,000)	\$2,180,000	\$155,000
Ohio Water Development Authority Loans:							
5.00% Loan SRF-112	6,558,290	2012	2,485,712	0	(612,396)	1,873,316	434,206
5.00% Loan SRF-114	1,668,457	2010	476,582	0	(167,776)	308,806	118,957
3.76% Loan SRF-4011	2,757,604	2018	2,773,598	0	(160,737)	2,612,861	0
Total OWDA Loans			5,735,892	0	(940,909)	4,794,983	553,163
Compensated Absences			103,285	129,174	(103,285)	129,174	43,885
Total Business Type Long-Term Debt			\$8,169,177	\$129,174	(\$1,194,194)	\$7,104,157	\$752,048

Principal and interest requirements to retire long-term debt outstanding at December 31, 2007 were as follows:

Years	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2008	\$400,000	\$301,862	\$553,163	\$102,277
2009	415,000	285,495	581,168	74,274
2010	435,000	268,409	544,152	44,825
2011	455,000	250,098	503,639	18,863
2012	470,000	230,523	0	0
2013-2017	2,695,000	811,888	2,612,861	315,748
2018-2022	1,645,000	241,431	0	0
2023	145,000	7,250	0	0
Totals	\$6,660,000	\$2,396,956	\$4,794,983	\$555,987

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 12 - CAPITAL LEASES

The City leases two copiers, a mailing machine, a dump truck and pick-up truck under capital leases. The cost of the equipment obtained under lease agreements (\$117,512) are included in the Governmental Activities capital assets as machinery and equipment. The liability for these leases are recorded on the Statement of Net Assets as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2007:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2008	\$20,165
2009	20,165
2010	20,165
2011	<u>5,622</u>
Minimum Lease Payments	66,117
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(5,691)</u>
Present value of minimum lease payments	<u><u>\$60,426</u></u>

NOTE 13 - RISK MANAGEMENT

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 13 - RISK MANAGEMENT (Continued)

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

The claims liability of \$92,762 reported in the fund at December 31, 2007 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the fund's claims liability amount in fiscal years 2006 and 2007 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2006	\$87,253	774,822	(747,494)	\$114,581
2007	114,581	933,903	(955,722)	92,762

NOTE 14 - CONTINGENCIES

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

NOTE 15 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2007, the City had the following significant contractual commitments outstanding:

<u>Project</u>	<u>Remaining Contractual Commitment</u>
Communications System	\$370,071
State Route 79 Safety Improvements	189,615
SCADA Upgrade	59,250
James Parkway Sanitary Sewer Extension	19,177
Total	<u>\$638,113</u>

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

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

State Highway Fund

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

County \$5 Permissive License Tax Fund

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

Swimming Pool Fund

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

Municipal Motor Vehicle License Tax Fund

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

Fire Pension Fund

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

Police Pension Fund

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

Law Enforcement Trust Fund

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

Enforcement and Education Fund

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

D.A.R.E. Fund

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

(Continued)

Debt Service Fund

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

General Obligation Debt Service Fund

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

Capital Projects Fund

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

County Road Fund

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

Irving-Wick Drive Improvement Fund

To account for financial resources used for the improvement of Irving Wick Drive. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Parks and Recreation Capital Improvement Fund

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

Mobile Technology Fund

To account for financial resources used to upgrade the computers utilized with the City's police cruisers. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Heath Street Improvement Fund

To account for financial resources used for improvements of the City's streets.

Permanent Fund

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

Conn Memorial Trust Fund

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

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 490,548	\$ 180,322	\$ 477,910	\$ 86,791	\$ 1,235,571
Receivables:					
Taxes	174,968	30,642	0	0	205,610
Intergovernmental	283,681	0	0	0	283,681
Inventory of Supplies, at Cost	56,214	0	0	0	56,214
Prepaid Items	13,050	0	0	0	13,050
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	122,087	0	0	0	122,087
Total Assets	<u>\$ 1,140,548</u>	<u>\$ 210,964</u>	<u>\$ 477,910</u>	<u>\$ 86,791</u>	<u>\$ 1,916,213</u>
Liabilities:					
Accounts Payable	\$ 20,047	\$ 0	\$ 0	\$ 0	\$ 20,047
Accrued Wages and Benefits Payable	164,340	0	0	0	164,340
Deferred Revenue	489,164	3,427	0	0	492,591
Total Liabilities	<u>673,551</u>	<u>3,427</u>	<u>0</u>	<u>0</u>	<u>676,978</u>
Fund Balances:					
Reserved for Encumbrances	4,343	0	0	0	4,343
Reserved for Prepaid Items	13,050	0	0	0	13,050
Reserved for Supplies Inventory	56,214	0	0	0	56,214
Reserved for Debt Service	0	207,537	0	0	207,537
Undesignated/Unreserved	393,390	0	477,910	86,791	958,091
Total Fund Balances	<u>466,997</u>	<u>207,537</u>	<u>477,910</u>	<u>86,791</u>	<u>1,239,235</u>
Total Liabilities and Fund Balances	<u>\$ 1,140,548</u>	<u>\$ 210,964</u>	<u>\$ 477,910</u>	<u>\$ 86,791</u>	<u>\$ 1,916,213</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 161,430	\$ 279,829	\$ 0	\$ 0	\$ 441,259
Intergovernmental Revenues	647,092	0	172,700	0	819,792
Charges for Services	530,132	0	0	2,195	532,327
Investment Earnings	0	0	0	4,222	4,222
Fines and Forfeitures	31,733	0	0	0	31,733
All Other Revenue	20,535	0	0	0	20,535
Total Revenue	<u>1,390,922</u>	<u>279,829</u>	<u>172,700</u>	<u>6,417</u>	<u>1,849,868</u>
Expenditures:					
Current:					
Security of Persons and Property	423,139	0	0	0	423,139
Leisure Time Activities	395,112	0	0	0	395,112
Transportation	865,506	0	273,476	0	1,138,982
Debt Service:					
Principal Retirement	86,969	165,000	0	0	251,969
Interest and Fiscal Charges	77,987	134,490	0	0	212,477
Total Expenditures	<u>1,848,713</u>	<u>299,490</u>	<u>273,476</u>	<u>0</u>	<u>2,421,679</u>
Excess (Deficiency) of Revenues Over Expenditures					
	(457,791)	(19,661)	(100,776)	6,417	(571,811)
Other Financing Sources (Uses):					
Transfers In	485,000	0	102,282	0	587,282
Transfers Out	(60,652)	0	(102,905)	0	(163,557)
Total Other Financing Sources (Uses)	<u>424,348</u>	<u>0</u>	<u>(623)</u>	<u>0</u>	<u>423,725</u>
Net Change in Fund Balance	(33,443)	(19,661)	(101,399)	6,417	(148,086)
Fund Balances at Beginning of Year	505,381	227,198	579,309	80,374	1,392,262
Decrease in Inventory Reserve	(4,941)	0	0	0	(4,941)
Fund Balances End of Year	<u>\$ 466,997</u>	<u>\$ 207,537</u>	<u>\$ 477,910</u>	<u>\$ 86,791</u>	<u>\$ 1,239,235</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax
Assets:					
Cash and Cash Equivalents	\$ 211,959	\$ 91,767	\$ 2,366	\$ 27,068	\$ 31,901
Receivables:					
Taxes	0	0	0	0	0
Intergovernmental	212,894	17,262	0	0	44,557
Inventory of Supplies, at Cost	55,502	0	0	712	0
Prepaid Items	7,375	0	0	5,587	0
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	122,087	0	0
Total Assets	\$ 487,730	\$ 109,029	\$ 124,453	\$ 33,367	\$ 76,458
Liabilities:					
Accounts Payable	\$ 10,644	\$ 9,203	\$ 0	\$ 200	\$ 0
Accrued Wages and Benefits Payable	23,168	0	0	2,863	0
Deferred Revenue	141,929	11,508	122,087	0	29,704
Total Liabilities	175,741	20,711	122,087	3,063	29,704
Fund Balances:					
Reserved for Encumbrances	2,233	2,110	0	0	0
Reserved for Prepaid Items	7,375	0	0	5,587	0
Reserved for Supplies Inventory	55,502	0	0	712	0
Undesignated/Unreserved	246,879	86,208	2,366	24,005	46,754
Total Fund Balances	311,989	88,318	2,366	30,304	46,754
Total Liabilities and Fund Balances	\$ 487,730	\$ 109,029	\$ 124,453	\$ 33,367	\$ 76,458

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 23,054	\$ 25,489	\$ 41,570	\$ 19,738	\$ 15,636	\$ 490,548
87,484	87,484	0	0	0	174,968
4,484	4,484	0	0	0	283,681
0	0	0	0	0	56,214
0	0	0	0	88	13,050
0	0	0	0	0	122,087
<u>\$ 115,022</u>	<u>\$ 117,457</u>	<u>\$ 41,570</u>	<u>\$ 19,738</u>	<u>\$ 15,724</u>	<u>\$ 1,140,548</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,047
61,787	76,522	0	0	0	164,340
91,968	91,968	0	0	0	489,164
<u>153,755</u>	<u>168,490</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>673,551</u>
0	0	0	0	0	4,343
0	0	0	0	88	13,050
0	0	0	0	0	56,214
(38,733)	(51,033)	41,570	19,738	15,636	393,390
(38,733)	(51,033)	41,570	19,738	15,724	466,997
<u>\$ 115,022</u>	<u>\$ 117,457</u>	<u>\$ 41,570</u>	<u>\$ 19,738</u>	<u>\$ 15,724</u>	<u>\$ 1,140,548</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax
Revenues:					
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	436,152	35,363	54,103	0	97,372
Charges for Services	2,700	0	0	527,432	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	94	0	0	3,004	0
Total Revenue	438,946	35,363	54,103	530,436	97,372
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Leisure Time Activities	0	0	0	395,112	0
Transportation	772,689	25,537	67,280	0	0
Debt Service:					
Principal Retirement	16,969	0	0	70,000	0
Interest and Fiscal Charges	3,195	0	0	74,792	0
Total Expenditures	792,853	25,537	67,280	539,904	0
Excess (Deficiency) of Revenues Over Expenditures	(353,907)	9,826	(13,177)	(9,468)	97,372
Other Financing Sources (Uses):					
Transfers In	245,000	0	0	0	0
Transfers Out	0	0	0	0	(60,652)
Total Other Financing Sources (Uses)	245,000	0	0	0	(60,652)
Net Change in Fund Balance	(108,907)	9,826	(13,177)	(9,468)	36,720
Fund Balances at Beginning of Year	425,310	78,492	15,543	40,299	10,034
Decrease in Inventory Reserve	(4,414)	0	0	(527)	0
Fund Balances End of Year	\$ 311,989	\$ 88,318	\$ 2,366	\$ 30,304	\$ 46,754

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 80,715	\$ 80,715	\$ 0	\$ 0	\$ 0	\$ 161,430
12,051	12,051	0	0	0	647,092
0	0	0	0	0	530,132
0	0	28,898	2,835	0	31,733
0	0	14,270	0	3,167	20,535
<u>92,766</u>	<u>92,766</u>	<u>43,168</u>	<u>2,835</u>	<u>3,167</u>	<u>1,390,922</u>
179,014	219,940	19,611	45	4,529	423,139
0	0	0	0	0	395,112
0	0	0	0	0	865,506
0	0	0	0	0	86,969
0	0	0	0	0	77,987
<u>179,014</u>	<u>219,940</u>	<u>19,611</u>	<u>45</u>	<u>4,529</u>	<u>1,848,713</u>
(86,248)	(127,174)	23,557	2,790	(1,362)	(457,791)
105,000	135,000	0	0	0	485,000
0	0	0	0	0	(60,652)
<u>105,000</u>	<u>135,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>424,348</u>
18,752	7,826	23,557	2,790	(1,362)	(33,443)
(57,485)	(58,859)	18,013	16,948	17,086	505,381
0	0	0	0	0	(4,941)
<u>\$ (38,733)</u>	<u>\$ (51,033)</u>	<u>\$ 41,570</u>	<u>\$ 19,738</u>	<u>\$ 15,724</u>	<u>\$ 466,997</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2007**

	<u>County Road</u>	<u>Heath Street Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 476,404	\$ 1,506	\$ 477,910
Total Assets	<u>\$ 476,404</u>	<u>\$ 1,506</u>	<u>\$ 477,910</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:			
Undesignated/Unreserved	476,404	1,506	477,910
Total Fund Balances	<u>476,404</u>	<u>1,506</u>	<u>477,910</u>
Total Liabilities and Fund Balances	<u>\$ 476,404</u>	<u>\$ 1,506</u>	<u>\$ 477,910</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	County Road	Irvingwick Drive Improvement	Parks and Recreation Capital Improvement	Mobile Technology	Heath Street Improvement	Total Nonmajor Capital Project Funds
Revenues:						
Intergovernmental Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 172,700	\$ 172,700
Total Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>172,700</u>	<u>172,700</u>
Expenditures:						
Current:						
Transportation	0	0	0	0	273,476	273,476
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>273,476</u>	<u>273,476</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0	(100,776)	(100,776)
Other Financing Sources (Uses):						
Transfers In	0	0	0	0	102,282	102,282
Transfers Out	0	(20,315)	(82,500)	(90)	0	(102,905)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(20,315)</u>	<u>(82,500)</u>	<u>(90)</u>	<u>102,282</u>	<u>(623)</u>
Net Change in Fund Balance	0	(20,315)	(82,500)	(90)	1,506	(101,399)
Fund Balances at Beginning of Year	<u>476,404</u>	<u>20,315</u>	<u>82,500</u>	<u>90</u>	<u>0</u>	<u>579,309</u>
Fund Balances End of Year	<u>\$ 476,404</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,506</u>	<u>\$ 477,910</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,157,342	\$ 5,154,842	\$ 5,169,945	\$ 15,103
Intergovernmental Revenues	513,454	660,222	712,811	52,589
Charges for Services	334,400	386,750	419,408	32,658
Licenses and Permits	31,250	48,888	59,600	10,712
Investment Earnings	275,000	275,000	481,045	206,045
Fines and Forfeitures	17,700	17,700	20,629	2,929
All Other Revenues	16,100	16,100	41,546	25,446
Total Revenues	<u>6,345,246</u>	<u>6,559,502</u>	<u>6,904,984</u>	<u>345,482</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,341,037	1,456,537	1,456,271	266
Materials and Supplies	53,750	57,352	56,209	1,143
Contractual Services	161,623	170,123	139,632	30,491
Capital Outlay	11,164	11,164	7,457	3,707
Total Police	<u>1,567,574</u>	<u>1,695,176</u>	<u>1,659,569</u>	<u>35,607</u>
Communications:				
Personal Services	530,836	537,836	511,242	26,594
Contractual Services	41,300	41,300	38,250	3,050
Total Communications	<u>572,136</u>	<u>579,136</u>	<u>549,492</u>	<u>29,644</u>
Fire:				
Personal Services	1,049,432	1,049,432	991,490	57,942
Materials and Supplies	93,032	98,807	84,701	14,106
Contractual Services	119,291	127,291	106,883	20,408
Capital Outlay	500	31,507	31,007	500
Total Fire	<u>1,262,255</u>	<u>1,307,037</u>	<u>1,214,081</u>	<u>92,956</u>
Street Lighting:				
Contractual Services	66,000	70,000	69,989	11
Total Street Lighting	<u>66,000</u>	<u>70,000</u>	<u>69,989</u>	<u>11</u>
Total Security of Persons and Property	<u>3,467,965</u>	<u>3,651,349</u>	<u>3,493,131</u>	<u>158,218</u>

(Continued)

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	54,000	55,000	55,000	0
Total Public Health and Welfare Services	<u>54,000</u>	<u>55,000</u>	<u>55,000</u>	<u>0</u>
Leisure Time Activities:				
Parks:				
Personal Services	468,080	468,080	456,494	11,586
Materials and Supplies	46,702	46,702	41,531	5,171
Contractual Services	275,193	290,193	240,821	49,372
Other Expenditures	1,900	1,900	367	1,533
Capital Outlay	34,900	34,900	13,836	21,064
Total Leisure Time Activities	<u>826,775</u>	<u>841,775</u>	<u>753,049</u>	<u>88,726</u>
Community Environment:				
Planning and Zoning:				
Personal Services	150,595	150,595	149,263	1,332
Materials and Supplies	1,250	1,250	384	866
Contractual Services	120,990	145,990	129,712	16,278
Other Expenditures	250	850	720	130
Capital Outlay	13,829	3,229	1,632	1,597
Total Community Environment	<u>286,914</u>	<u>301,914</u>	<u>281,711</u>	<u>20,203</u>
General Government:				
Mayor:				
Personal Services	74,517	75,047	75,043	4
Materials and Supplies	514	514	369	145
Contractual Services	1,730	3,930	3,322	608
Capital Outlay	0	5,500	3,788	1,712
Total Mayor	<u>76,761</u>	<u>84,991</u>	<u>82,522</u>	<u>2,469</u>
City Council:				
Personal Services	37,800	37,800	37,119	681
Materials and Supplies	60	60	32	28
Contractual Services	2,300	2,300	1,261	1,039
Total City Council	<u>40,160</u>	<u>40,160</u>	<u>38,412</u>	<u>1,748</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2007***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	110,792	110,792	110,667	125
Contractual Services	45,135	70,135	69,963	172
Total Law Director	<u>155,927</u>	<u>180,927</u>	<u>180,630</u>	<u>297</u>
Clerk of Council:				
Personal Services	39,820	39,820	39,286	534
Materials and Supplies	764	764	248	516
Total Clerk of Council	<u>40,584</u>	<u>40,584</u>	<u>39,534</u>	<u>1,050</u>
Auditor:				
Personal Services	42,500	42,500	42,500	0
Materials and Supplies	669	669	341	328
Contractual Services	1,375	1,375	1,017	358
Capital Outlay	0	1,300	1,300	0
Total Auditor	<u>44,544</u>	<u>45,844</u>	<u>45,158</u>	<u>686</u>
General Administrative:				
Personal Services	260,004	268,004	265,624	2,380
Materials and Supplies	5,935	5,935	5,020	915
Contractual Services	263,445	302,645	277,760	24,885
Other Expenditures	0	6,000	5,934	66
Capital Outlay	729	1,125	415	710
Total General Administrative	<u>530,113</u>	<u>583,709</u>	<u>554,753</u>	<u>28,956</u>
Court Fees:				
Contractual Services	30,039	30,039	26,669	3,370
Total Court Fees	<u>30,039</u>	<u>30,039</u>	<u>26,669</u>	<u>3,370</u>
Civil Service:				
Contractual Services	13,000	41,000	40,038	962
Total Civil Service	<u>13,000</u>	<u>41,000</u>	<u>40,038</u>	<u>962</u>

(Continued)

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Safety/Service:				
Personal Services	71,629	71,329	69,234	2,095
Materials and Supplies	9,400	9,400	7,905	1,495
Contractual Services	74,449	74,449	59,832	14,617
Capital Outlay	5,600	5,600	4,401	1,199
Total Safety/Service	161,078	160,778	141,372	19,406
Income Tax:				
Personal Services	241,371	242,671	242,324	347
Materials and Supplies	14,828	14,828	13,461	1,367
Contractual Services	18,370	19,870	17,878	1,992
Capital Outlay	4,700	4,700	4,700	0
Total Income Tax	279,269	282,069	278,363	3,706
Total General Government	1,371,475	1,490,101	1,427,451	62,650
Total Expenditures	6,007,129	6,340,139	6,010,342	329,797
Excess (Deficiency) of Revenues Over (Under) Expenditures	338,117	219,363	894,642	675,279
Other Financing Sources (Uses):				
Transfers Out	(485,000)	(485,000)	(485,000)	0
Advances Out	0	(78,590)	(78,590)	0
Total Other Financing Sources (Uses)	(485,000)	(563,590)	(563,590)	0
Net Change in Fund Balance	(146,883)	(344,227)	331,052	675,279
Fund Balance at Beginning of Year	2,681,015	2,681,015	2,681,015	0
Prior Year Encumbrances	68,454	68,454	68,454	0
Fund Balance at End of Year	<u>\$ 2,602,586</u>	<u>\$ 2,405,242</u>	<u>\$ 3,080,521</u>	<u>\$ 675,279</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 540,785	\$ 540,785	\$ 549,593	\$ 8,808
Intergovernmental Revenues	67,462	90,317	92,415	2,098
Investment Earnings	6,500	7,000	8,983	1,983
All Other Revenues	0	0	81	81
Total Revenues	<u>614,747</u>	<u>638,102</u>	<u>651,072</u>	<u>12,970</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	449,055	457,155	454,433	2,722
Materials and Supplies	3,500	3,500	1,200	2,300
Contractual Services	12,650	20,367	10,583	9,784
Capital Outlay	244,971	265,603	264,053	1,550
Total Expenditures	<u>710,176</u>	<u>746,625</u>	<u>730,269</u>	<u>16,356</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(95,429)	(108,523)	(79,197)	29,326
Other Financing Sources (Uses):				
Sale of Capital Assets	0	22,866	23,850	984
Total Other Financing Sources (Uses)	<u>0</u>	<u>22,866</u>	<u>23,850</u>	<u>984</u>
Net Change in Fund Balance	(95,429)	(85,657)	(55,347)	30,310
Fund Balance at Beginning of Year	323,943	323,943	323,943	0
Prior Year Encumbrances	25,628	25,628	25,628	0
Fund Balance at End of Year	<u>\$ 254,142</u>	<u>\$ 263,914</u>	<u>\$ 294,224</u>	<u>\$ 30,310</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Fund – Capital Improvement Fund
For the Year Ended December 31, 2007***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 381,000	\$ 391,111	\$ 10,111
Intergovernmental Revenues	391,000	391,239	239
All Other Revenues	65,500	65,601	101
Total Revenues	<u>837,500</u>	<u>847,951</u>	<u>10,451</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	1,689	1,689	0
Capital Outlay	453,682	452,177	1,505
Total Security of Persons and Property	<u>455,371</u>	<u>453,866</u>	<u>1,505</u>
Leisure Time Activities:			
Parks:			
Contractual Services	25,818	25,818	0
Capital Outlay	314,394	311,540	2,854
Total Parks	<u>340,212</u>	<u>337,358</u>	<u>2,854</u>
Swimming Pool:			
Contractual Services	66,498	66,498	0
Total Swimming Pool	<u>66,498</u>	<u>66,498</u>	<u>0</u>
Total Leisure Time Activities	<u>406,710</u>	<u>403,856</u>	<u>2,854</u>
Basic Utility Services:			
Water:			
Contractual Services	50,500	50,500	0
Total Water	<u>50,500</u>	<u>50,500</u>	<u>0</u>
Sewer:			
Contractual Services	17,119	17,119	0
Total Sewer	<u>17,119</u>	<u>17,119</u>	<u>0</u>
Total Basic Utility Services	<u>67,619</u>	<u>67,619</u>	<u>0</u>
Transportation:			
Streets Department:			
Contractual Services	229,727	229,727	0
Capital Outlay	135,414	135,414	0
Total Transportation	<u>365,141</u>	<u>365,141</u>	<u>0</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Fund – Capital Improvement Fund
For the Year Ended December 31, 2007***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
General Government:			
General Administrative:			
Capital Outlay	22,000	19,125	2,875
Total General Government	<u>22,000</u>	<u>19,125</u>	<u>2,875</u>
Total Expenditures	<u>1,316,841</u>	<u>1,309,607</u>	<u>7,234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(479,341)	(461,656)	17,685
Other Financing Sources (Uses):			
Transfers In	332,500	332,905	405
Transfers Out	<u>(56,180)</u>	<u>(56,180)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>276,320</u>	<u>276,725</u>	<u>405</u>
Net Change in Fund Balance	(203,021)	(184,931)	18,090
Fund Balance at Beginning of Year	1,178,767	1,178,767	0
Prior Year Encumbrances	<u>372,616</u>	<u>372,616</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,348,362</u>	<u>\$ 1,366,452</u>	<u>\$ 18,090</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 432,500	\$ 433,891	\$ 1,391
Charges for Services	2,500	2,700	200
All Other Revenues	0	94	94
Total Revenues	<u>435,000</u>	<u>436,685</u>	<u>1,685</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	537,852	536,791	1,061
Materials and Supplies	151,644	133,226	18,418
Contractual Services	100,863	86,149	14,714
Capital Outlay	44,694	36,466	8,228
Total Expenditures	<u>835,053</u>	<u>792,632</u>	<u>42,421</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400,053)	(355,947)	44,106
Other Financing Sources (Uses):			
Transfers In	245,000	245,000	0
Total Other Financing Sources (Uses)	<u>245,000</u>	<u>245,000</u>	<u>0</u>
Net Change in Fund Balance	(155,053)	(110,947)	44,106
Fund Balance at Beginning of Year	307,531	307,531	0
Prior Year Encumbrances	6,203	6,203	0
Fund Balance at End of Year	<u>\$ 158,681</u>	<u>\$ 202,787</u>	<u>\$ 44,106</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	STATE HIGHWAY FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental Revenues	\$ 35,000	\$ 35,180	\$ 180
Total Revenues	<u>35,000</u>	<u>35,180</u>	<u>180</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	22,500	9,461	13,039
Contractual Services	8,600	8,000	600
Capital Outlay	<u>10,135</u>	<u>10,135</u>	<u>0</u>
Total Expenditures	<u>41,235</u>	<u>27,596</u>	<u>13,639</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,235)	7,584	13,819
Fund Balance at Beginning of Year	<u>74,048</u>	<u>74,048</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 67,813</u>	<u>\$ 81,632</u>	<u>\$ 13,819</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 54,102	\$ 54,103	\$ 1
Total Revenues	<u>54,102</u>	<u>54,103</u>	<u>1</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	7,256	7,256	0
Contractual Services	16,026	16,026	0
Capital Outlay	45,761	43,998	1,763
Total Expenditures	<u>69,043</u>	<u>67,280</u>	<u>1,763</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,941)	(13,177)	1,764
Fund Balance at Beginning of Year	15,543	15,543	0
Fund Balance at End of Year	<u>\$ 602</u>	<u>\$ 2,366</u>	<u>\$ 1,764</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
SWIMMING POOL FUND			
Revenues:			
Charges for Services	\$ 525,486	\$ 527,432	\$ 1,946
All Other Revenues	3,800	3,004	(796)
Total Revenues	<u>529,286</u>	<u>530,436</u>	<u>1,150</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	221,410	220,779	631
Materials and Supplies	58,500	47,507	10,993
Contractual Services	120,000	114,181	5,819
Capital Outlay	19,000	10,574	8,426
Total Leisure Time Activities	<u>418,910</u>	<u>393,041</u>	<u>25,869</u>
Debt Service:			
Principal Retirement	70,000	70,000	0
Interest and Fiscal Charges	74,792	74,792	0
Total Expenditures	<u>563,702</u>	<u>537,833</u>	<u>25,869</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,416)	(7,397)	27,019
Fund Balance at Beginning of Year	34,465	34,465	0
Fund Balance at End of Year	<u>\$ 49</u>	<u>\$ 27,068</u>	<u>\$ 27,019</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 91,000	\$ 91,580	\$ 580
Total Revenues	<u>91,000</u>	<u>91,580</u>	<u>580</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	91,000	91,580	580
Other Financing Sources (Uses):			
Transfers Out	<u>(60,652)</u>	<u>(60,652)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(60,652)</u>	<u>(60,652)</u>	<u>0</u>
Net Change in Fund Balance	30,348	30,928	580
Fund Balance at Beginning of Year	973	973	0
Fund Balance at End of Year	<u>\$ 31,321</u>	<u>\$ 31,901</u>	<u>\$ 580</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 80,554	\$ 80,715	\$ 161
Intergovernmental Revenues	10,878	12,185	1,307
Total Revenues	<u>91,432</u>	<u>92,900</u>	<u>1,468</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	183,780	183,777	3
Contractual Services	2,020	1,520	500
Total Expenditures	<u>185,800</u>	<u>185,297</u>	<u>503</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(94,368)	(92,397)	1,971
Other Financing Sources (Uses):			
Transfers In	105,000	105,000	0
Total Other Financing Sources (Uses)	<u>105,000</u>	<u>105,000</u>	<u>0</u>
Net Change in Fund Balance	10,632	12,603	1,971
Fund Balance at Beginning of Year	10,451	10,451	0
Fund Balance at End of Year	<u>\$ 21,083</u>	<u>\$ 23,054</u>	<u>\$ 1,971</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	POLICE PENSION FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 80,554	\$ 80,715	\$ 161
Intergovernmental Revenues	10,378	12,185	1,807
Total Revenues	<u>90,932</u>	<u>92,900</u>	<u>1,968</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	216,636	216,571	65
Contractual Services	2,020	1,520	500
Total Expenditures	<u>218,656</u>	<u>218,091</u>	<u>565</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(127,724)	(125,191)	2,533
Other Financing Sources (Uses):			
Transfers In	135,000	135,000	0
Total Other Financing Sources (Uses)	<u>135,000</u>	<u>135,000</u>	<u>0</u>
Net Change in Fund Balance	7,276	9,809	2,533
Fund Balance at Beginning of Year	15,680	15,680	0
Fund Balance at End of Year	<u>\$ 22,956</u>	<u>\$ 25,489</u>	<u>\$ 2,533</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 28,800	\$ 29,034	\$ 234
All Other Revenues	14,200	14,270	70
Total Revenues	<u>43,000</u>	<u>43,304</u>	<u>304</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	500	0	500
Contractual Services	18,500	16,616	1,884
Other Expenditures	500	0	500
Capital Outlay	4,995	2,995	2,000
Total Expenditures	<u>24,495</u>	<u>19,611</u>	<u>4,884</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,505	23,693	5,188
Fund Balance at Beginning of Year	17,877	17,877	0
Fund Balance at End of Year	<u>\$ 36,382</u>	<u>\$ 41,570</u>	<u>\$ 5,188</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 2,800	\$ 2,835	\$ 35
Total Revenues	<u>2,800</u>	<u>2,835</u>	<u>35</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	<u>7,255</u>	<u>45</u>	<u>7,210</u>
Total Expenditures	<u>7,255</u>	<u>45</u>	<u>7,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,455)	2,790	7,245
Fund Balance at Beginning of Year	<u>16,948</u>	<u>16,948</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 12,493</u>	<u>\$ 19,738</u>	<u>\$ 7,245</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007**

	D.A.R.E. FUND		
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 3,100	\$ 3,167	\$ 67
Total Revenues	<u>3,100</u>	<u>3,167</u>	<u>67</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	2,775	2,462	313
Contractual Services	<u>2,125</u>	<u>2,076</u>	<u>49</u>
Total Expenditures	<u>4,900</u>	<u>4,538</u>	<u>362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,800)	(1,371)	429
Fund Balance at Beginning of Year	<u>17,007</u>	<u>17,007</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 15,207</u>	<u>\$ 15,636</u>	<u>\$ 429</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 268,000	\$ 282,076	\$ 14,076
Total Revenues	<u>268,000</u>	<u>282,076</u>	<u>14,076</u>
Expenditures:			
Debt Service:			
Principal Retirement	165,000	165,000	0
Interest and Fiscal Charges	<u>134,490</u>	<u>134,490</u>	<u>0</u>
Total Expenditures	<u>299,490</u>	<u>299,490</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,490)	(17,414)	14,076
Fund Balance at Beginning of Year	<u>197,736</u>	<u>197,736</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 166,246</u>	<u>\$ 180,322</u>	<u>\$ 14,076</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007***

COUNTY ROAD FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	476,404	476,404	0
Fund Balance at End of Year	<u>\$ 476,404</u>	<u>\$ 476,404</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses):			
Transfers Out	<u>(20,315)</u>	<u>(20,315)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(20,315)</u>	<u>(20,315)</u>	<u>0</u>
Net Change in Fund Balance	(20,315)	(20,315)	0
Fund Balance at Beginning of Year	<u>20,315</u>	<u>20,315</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007***

PARKS AND RECREATION CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses):			
Transfers Out	(82,500)	(82,500)	0
Total Other Financing Sources (Uses)	(82,500)	(82,500)	0
Net Change in Fund Balance	(82,500)	(82,500)	0
Fund Balance at Beginning of Year	82,500	82,500	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses):			
Transfers Out	<u>(90)</u>	<u>(90)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(90)</u>	<u>(90)</u>	<u>0</u>
Net Change in Fund Balance	(90)	(90)	0
Fund Balance at Beginning of Year	90	90	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007**

HEATH STREET IMPROVEMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 175,986	\$ 172,700	\$ (3,286)
Total Revenues	<u>175,986</u>	<u>172,700</u>	<u>(3,286)</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	274,978	273,476	1,502
Total Expenditures	<u>274,978</u>	<u>273,476</u>	<u>1,502</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(98,992)	(100,776)	(1,784)
Other Financing Sources (Uses):			
Transfers In	98,996	102,282	3,286
Total Other Financing Sources (Uses)	<u>98,996</u>	<u>102,282</u>	<u>3,286</u>
Net Change in Fund Balance	4	1,506	1,502
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 4</u>	<u>\$ 1,506</u>	<u>\$ 1,502</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2007**

	CONN MEMORIAL TRUST		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Charges for Services	\$ 2,200	\$ 2,195	\$ (5)
Investment Earnings	4,000	4,185	185
Total Revenues	<u>6,200</u>	<u>6,380</u>	<u>180</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,200	6,380	180
Fund Balance at Beginning of Year	80,411	80,411	0
Fund Balance at End of Year	<u>\$ 86,611</u>	<u>\$ 86,791</u>	<u>\$ 180</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2007***

<u>Capital Assets:</u>	
Land	\$9,341,222
Construction in Progress	639,481
Buildings	4,818,598
Improvements Other Than Buildings	3,503,993
Machinery and Equipment	6,781,795
Infrastructure	<u>17,654,164</u>
Total Capital Assets	<u><u>\$42,739,253</u></u>

<u>Investment in Capital Assets:</u>	
Assets Acquired Prior to 1990	\$161,599
General Fund	3,063,922
Special Revenue Funds	3,271,187
Capital Projects Funds	33,069,559
Proprietary Funds	18,820
Fiduciary Funds	23,507
Grants	504,472
Donations	<u>2,626,187</u>
Total Investment in Capital Assets	<u><u>\$42,739,253</u></u>

CITY OF HEATH, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2007**

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other Than Buildings
<u>General Government:</u>				
Mayor	\$0	\$0	\$0	\$0
City Council	0	0	0	0
Clerk of Council	0	0	0	0
City Auditor	0	0	0	0
General Administration	258,188	0	762,040	19,179
Safety/Service	0	0	20,125	1,952
Income Tax	0	0	0	0
Total General Government	258,188	0	782,165	21,131
<u>Security of Persons and Property:</u>				
Police	0	0	40,000	4,013
Communications	0	0	0	40,287
Fire	39,890	0	1,983,545	15,467
Occupational Safety and Health Administration	0	0	0	0
Total Security of Persons and Property	39,890	0	2,023,545	59,767
<u>Transportation:</u>				
Streets	8,330,438	407,166	294,622	47,607
<u>Community Environment:</u>				
Zoning	0	232,315	0	12,237
<u>Leisure Time Activities:</u>				
Parks	712,706	0	1,154,777	1,303,454
Swimming Pool	0	0	563,489	2,059,797
Total Leisure Time Activities	712,706	0	1,718,266	3,363,251
Total Capital Assets	\$9,341,222	\$639,481	\$4,818,598	\$3,503,993

CITY OF HEATH, OHIO

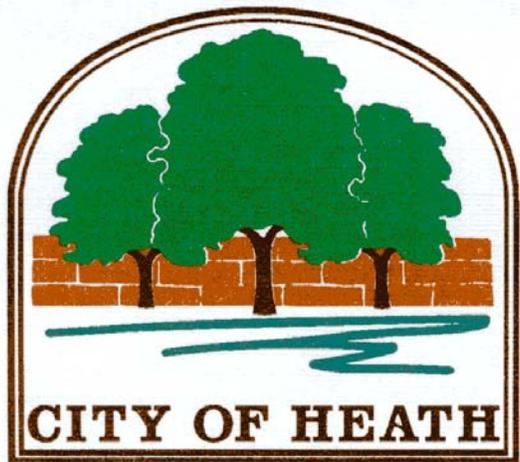
<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
\$3,913	\$0	\$3,913
9,770	0	9,770
1,349	0	1,349
1,451	0	1,451
61,703	0	1,101,110
12,109	0	34,186
18,696	0	18,696
<u>108,991</u>	<u>0</u>	<u>1,170,475</u>
857,251	0	901,264
28,260	0	68,547
3,553,539	0	5,592,441
<u>5,650</u>	<u>0</u>	<u>5,650</u>
<u>4,444,700</u>	<u>0</u>	<u>6,567,902</u>
<u>1,448,499</u>	<u>17,654,164</u>	<u>28,182,496</u>
<u>232,580</u>	<u>0</u>	<u>477,132</u>
451,958	0	3,622,895
95,067	0	2,718,353
<u>547,025</u>	<u>0</u>	<u>6,341,248</u>
<u>\$6,781,795</u>	<u>\$17,654,164</u>	<u>\$42,739,253</u>

CITY OF HEATH, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2007***

<u>Function and Activity</u>	<u>December 31, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2007</u>
<u>General Government:</u>				
Mayor	\$3,849	\$1,412	(\$1,348)	\$3,913
City Council	9,770	0	0	9,770
Clerk of Council	1,349	0	0	1,349
City Auditor	1,948	1,451	(1,948)	1,451
General Administration	1,093,787	7,323	0	1,101,110
Safety/Service	34,186	0	0	34,186
Income Tax	19,025	2,307	(2,636)	18,696
Total General Government	<u>1,163,914</u>	<u>12,493</u>	<u>(5,932)</u>	<u>1,170,475</u>
<u>Security of Persons and Property:</u>				
Police	856,069	93,682	(48,487)	901,264
Communications	68,547	0	0	68,547
Fire	5,296,665	411,143	(115,367)	5,592,441
Occupational Safety and Health Administration	<u>5,650</u>	<u>0</u>	<u>0</u>	<u>5,650</u>
Total Security of Persons and Property	<u>6,226,931</u>	<u>504,825</u>	<u>(163,854)</u>	<u>6,567,902</u>
<u>Transportation:</u>				
Streets	<u>22,724,549</u>	<u>5,820,577</u>	<u>(362,630)</u>	<u>28,182,496</u>
<u>Community Environment:</u>				
Zoning	<u>290,360</u>	<u>198,500</u>	<u>(11,728)</u>	<u>477,132</u>
<u>Leisure Time Activities:</u>				
Parks	3,534,089	574,489	(485,683)	3,622,895
Swimming Pool	<u>2,711,426</u>	<u>6,927</u>	<u>0</u>	<u>2,718,353</u>
Total Leisure Time Activities	<u>6,245,515</u>	<u>581,416</u>	<u>(485,683)</u>	<u>6,341,248</u>
Total Capital Assets	<u>\$36,651,269</u>	<u>\$7,117,811</u>	<u>(\$1,029,827)</u>	<u>\$42,739,253</u>

STATISTICAL SECTION



STATISTICAL TABLES

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

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City's financial position has changed over time.	
Revenue Capacity	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City's ability to generate its most significant local revenue sources, the income tax and the property tax.	
Debt Capacity	S 18 – S 25
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Economic and Demographic Information	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 30 – S 37
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.	

City of Heath

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

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

Source: City Auditor's Office

City of Heath

2007

\$23,589,938
3,693,753
3,427,382
\$30,711,073

\$11,369,769
3,585,259
\$14,955,028

\$34,959,707
3,693,753
7,012,641
\$45,666,101

City of Heath

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

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

City of Heath

2007

\$4,412,475

55,000

1,165,587

116,430

48,759

1,611,106

1,480,358

211,364

9,101,079

1,572,649

1,994,356

3,567,005

\$12,668,084

\$414,707

0

681,222

52,913

4,592

18,538

2,119

641,109

5,408,548

7,223,748

(continued)

City of Heath

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

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

Source: City Auditor's Office

City of Heath

2007

1,409,782

2,340,830

74,101

3,824,713

11,048,461

(1,877,331)

257,708

(\$1,619,623)

\$1,328,913

5,117,840

12,834

845,213

545,309

41,546

215,450

8,107,105

42,997

(215,450)

(172,453)

\$7,934,652

\$6,229,774

85,255

\$6,315,029

City of Heath

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

	1998	1999	2000	2001
General Fund				
Reserved	\$153,490	\$115,661	\$83,509	\$142,777
Unreserved	4,901,130	4,231,262	4,541,723	3,683,028
<i>Total General Fund</i>	<u>5,054,620</u>	<u>4,346,923</u>	<u>4,625,232</u>	<u>3,825,805</u>
All Other Governmental Funds				
Reserved	1,053,814	2,370,102	1,304,433	2,888,349
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	931,013	1,901,744	1,447,770	1,626,592
Capital Projects Funds	4,067,659	3,133,582	4,030,491	1,722,096
Permanent Fund	0	0	0	0
<i>Total All Other Governmental Funds</i>	<u>6,052,486</u>	<u>7,405,428</u>	<u>6,782,694</u>	<u>6,237,037</u>
<i>Total Governmental Funds</i>	<u><u>\$11,107,106</u></u>	<u><u>\$11,752,351</u></u>	<u><u>\$11,407,926</u></u>	<u><u>\$10,062,842</u></u>

Source: City Auditor's Office

Our other choice is to restate all the pre Gasb 34 amounts by including any funds we've reclassified as governmental.

City of Heath

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$127,313	\$139,559	\$120,024	\$150,353	\$190,870	\$304,325
<u>2,096,185</u>	<u>2,459,362</u>	<u>2,563,881</u>	<u>2,538,481</u>	<u>3,043,064</u>	<u>3,405,304</u>
<u>2,223,498</u>	<u>2,598,921</u>	<u>2,683,905</u>	<u>2,688,834</u>	<u>3,233,934</u>	<u>3,709,629</u>
1,721,367	1,870,715	1,295,931	877,324	683,026	884,924
877,025	527,463	486,555	404,562	698,812	644,659
1,957,897	1,197,020	1,934,190	1,959,028	1,789,751	1,931,812
<u>0</u>	<u>87,747</u>	<u>91,049</u>	<u>74,021</u>	<u>80,374</u>	<u>86,791</u>
<u>4,556,289</u>	<u>3,682,945</u>	<u>3,807,725</u>	<u>3,314,935</u>	<u>3,251,963</u>	<u>3,548,186</u>
<u>\$6,779,787</u>	<u>\$6,281,866</u>	<u>\$6,491,630</u>	<u>\$6,003,769</u>	<u>\$6,485,897</u>	<u>\$7,257,815</u>

City of Heath

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

	1998	1999	2000	2001
Revenues:				
Taxes	\$5,483,028	\$5,540,729	\$5,638,014	\$5,699,297
Intergovernmental Revenues	1,047,818	1,802,311	1,758,070	1,194,260
Charges for Services	200,654	320,045	314,930	305,467
Licenses and Permits	42,960	40,999	63,897	23,865
Investment Earnings	828,193	696,334	863,545	551,748
Fines and Forfeitures	54,447	37,983	47,028	55,211
All Other Revenue	244,071	131,060	208,067	166,414
Total Revenue	<u>7,901,171</u>	<u>8,569,461</u>	<u>8,893,551</u>	<u>7,996,262</u>
Expenditures:				
Current:				
Security of Persons and Property	4,021,883	3,266,024	3,113,404	3,609,903
Public Health and Welfare Services	52,500	52,500	52,500	52,500
Leisure Time Activities	744,484	765,123	1,063,805	1,797,370
Community Environment	247,784	275,314	642,751	529,615
Basic Utility Services	104,731	69,235	252,591	116,642
Transportation	1,224,876	2,068,313	2,599,485	1,717,306
General Government	930,780	1,205,090	1,008,258	1,094,494
Debt Service:				
Principal Retirement	1,505,000	290,000	265,563	278,662
Interest and Fiscal Charges	210,828	139,995	134,377	127,972
Total Expenditures	<u>9,042,866</u>	<u>8,131,594</u>	<u>9,132,734</u>	<u>9,324,464</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,141,695)	437,867	(239,183)	(1,328,202)

City of Heath

2002	2003	2004	2005	2006	2007
\$5,772,835	\$5,990,306	\$5,968,715	\$6,103,117	\$6,765,736	\$6,511,364
2,791,553	1,336,400	1,910,803	1,294,553	1,558,369	2,019,146
679,393	654,828	599,002	706,904	683,875	951,735
23,861	23,933	34,775	46,232	76,891	59,600
231,096	123,662	86,929	161,518	320,207	599,005
50,156	36,068	38,588	34,812	41,611	52,689
179,070	69,742	82,124	266,653	115,424	151,613
<u>9,727,964</u>	<u>8,234,939</u>	<u>8,720,936</u>	<u>8,613,789</u>	<u>9,562,113</u>	<u>10,345,152</u>
4,651,512	4,069,038	3,873,095	4,473,935	4,340,627	4,679,467
52,500	52,500	52,500	52,500	54,000	55,000
3,704,349	1,475,797	1,185,345	1,119,728	1,588,478	1,537,158
299,688	255,327	256,397	261,315	277,529	286,914
242,676	568,416	204,435	0	0	48,759
3,286,170	2,667,651	1,324,269	1,267,352	1,187,069	1,304,268
1,251,016	1,212,168	1,253,721	1,260,752	1,274,127	1,434,312
290,739	377,928	450,236	436,960	251,721	254,165
186,271	234,518	255,283	237,609	221,879	212,555
<u>13,964,921</u>	<u>10,913,343</u>	<u>8,855,281</u>	<u>9,110,151</u>	<u>9,195,430</u>	<u>9,812,598</u>
(4,236,957)	(2,678,404)	(134,345)	(496,362)	366,683	532,554

(Continued)

City of Heath

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	13,484	992	3,327	0
Capital Leases Issued	0	0	0	12,062
Installment Loan Issued	0	228,000	95,165	0
General Obligation Bonds Issued	1,900,000	0	0	0
Refunding Bonds Issued	1,420,000	0	0	0
Payment to Escrow Agent	(258,000)	0	0	0
Transfers In	625,999	2,592,531	729,403	1,148,500
Transfers Out	(734,938)	(2,595,221)	(904,756)	(1,259,310)
Total Other Financing Sources (Uses)	<u>2,966,545</u>	<u>226,302</u>	<u>(76,861)</u>	<u>(98,748)</u>
Net Change in Fund Balance	<u>\$1,824,850</u>	<u>\$664,169</u>	<u>(\$316,044)</u>	<u>(\$1,426,950)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 23.42%	 5.58%	 4.58%	 4.56%

Source: City Auditor's Office

City of Heath

2002	2003	2004	2005	2006	2007
0	33,871	0	0	0	0
16,210	0	0	0	89,348	0
0	0	0	0	0	0
1,850,000	2,035,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,099,875	1,784,791	1,539,018	1,310,436	625,678	920,187
(1,995,649)	(1,784,791)	(1,177,356)	(1,277,270)	(625,678)	(704,737)
970,436	2,068,871	361,662	33,166	89,348	215,450
(\$3,266,521)	(\$609,533)	\$227,317	(\$463,196)	\$456,031	\$748,004
3.54%	5.33%	6.29%	7.39%	4.15%	2.94%

City of Heath

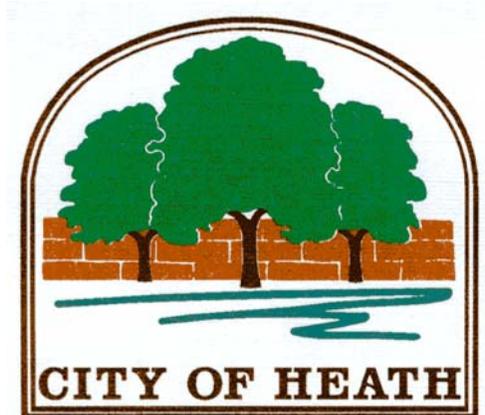
Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	1998	1999	2000	2001
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Estimated Personal Income (in thousands)	\$201,431	\$206,939	\$228,694	\$232,531
Total Tax Collected	\$4,530,381	\$4,528,079	\$4,721,023	\$4,775,099
Income Tax Receipts				
Withholding	3,737,132	3,827,094	3,915,674	3,975,876
Percentage	84.74%	86.78%	88.79%	90.15%
Corporate	567,265	462,434	535,403	547,623
Percentage	12.86%	10.49%	12.14%	12.42%
Individuals	225,984	238,551	269,946	251,600
Percentage	5.12%	5.41%	6.12%	5.71%

Source: City Income Tax Department

City of Heath

2002	2003	2004	2005	2006	2007
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$236,667	\$240,862	\$253,124	\$260,270	\$274,237	\$274,237
\$4,793,602	\$4,950,955	\$4,806,164	\$5,004,128	\$5,430,307	\$5,372,699
3,982,270	3,912,690	3,940,162	4,072,849	4,154,215	4,236,786
90.30%	88.72%	89.34%	92.35%	94.20%	96.07%
501,273	661,068	506,273	569,139	913,764	760,337
11.37%	14.99%	11.48%	12.91%	20.72%	17.24%
310,059	377,197	359,729	362,140	362,328	375,576
7.03%	8.55%	8.16%	8.21%	8.22%	8.52%



City of Heath

Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2007

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.17%	\$143,095,467	39.95%	\$2,146,432	39.95%
All Others	5,959	99.83%	215,084,466	60.05%	3,226,267	60.05%
Total	5,969	100.00%	\$358,179,933	100.00%	\$5,372,699	100.00%

Calendar Year 1998

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.21%	\$135,807,467	44.97%	\$2,037,112	44.97%
All Others	4,771	99.79%	166,218,000	55.03%	2,493,270	55.03%
Total	4,781	100.00%	\$302,025,467	100.00%	\$4,530,382	100.00%

Source: City Income Tax Department

City of Heath

Ratio of Outstanding Debt By Type Last Ten Years

	1998	1999	2000	2001
Governmental Activities ⁽¹⁾				
General Obligation Bonds Payable	\$3,240,000	\$2,950,000	\$2,715,000	\$2,475,000
Installment Loan Payable	0	114,000	178,238	139,576
Capital Leases	5,183	2,212	305	10,859
Business-type Activities ⁽¹⁾				
General Obligation Bonds Payable	3,340,000	3,230,000	3,115,000	2,995,000
Ohio Water Development Authority Loans	6,102,992	5,748,322	5,375,697	4,984,208
Installment Loan Payable	0	114,000	92,239	70,842
Total Primary Government	<u>\$12,688,175</u>	<u>\$12,158,534</u>	<u>\$11,476,479</u>	<u>\$10,675,485</u>
Population ⁽²⁾				
City of Heath	8,100	8,100	8,527	8,527
Outstanding Debt Per Capita	\$1,566	\$1,501	\$1,346	\$1,252
Income ⁽³⁾				
Personal (in thousands)	201,431	206,939	228,694	232,531
Percentage of Personal Income	6.30%	5.88%	5.02%	4.59%

Sources:

Source: City Auditor's Office

(2) US Bureau of Census, Population Division

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

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

City of Heath

2002	2003	2004	2005	2006	2007
\$4,075,000	\$5,775,000	\$5,370,000	\$4,950,000	\$4,715,000	\$4,480,000
98,837	55,910	10,674	0	0	0
23,893	18,868	13,250	6,964	79,591	60,426
2,875,000	2,745,000	2,610,000	2,475,000	2,330,000	2,180,000
4,572,900	4,370,769	5,636,654	5,866,987	5,735,892	4,794,983
48,373	24,777	0	0	0	0
<u>\$11,694,003</u>	<u>\$12,990,324</u>	<u>\$13,640,578</u>	<u>\$13,298,951</u>	<u>\$12,860,483</u>	<u>\$11,515,409</u>

8,527	8,527	8,527	8,527	8,527	8,527
\$1,371	\$1,523	\$1,600	\$1,560	\$1,508	\$1,350

236,667	240,862	253,124	260,270	274,237	274,237
4.94%	5.39%	5.39%	5.11%	4.69%	4.20%

City of Heath

Ratios of General Bonded Debt Outstanding Last Ten Years

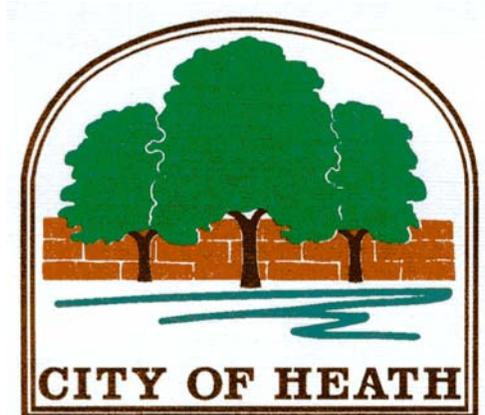
Year	1998	1999	2000	2001
Population ⁽¹⁾	8,100	8,100	8,527	8,527
Assessed Value ⁽²⁾	\$211,466,850	\$233,751,260	\$236,728,410	\$244,948,550
General Bonded Debt ⁽³⁾				
General Obligation Bonds	\$6,580,000	\$6,180,000	\$5,830,000	\$5,470,000
Resources Available to Pay Principal ⁽⁴⁾	\$460,635	\$576,752	\$730,272	\$839,512
Net General Bonded Debt	\$6,119,365	\$5,603,248	\$5,099,728	\$4,630,488
Ratio of Net Bonded Debt to Estimated Actual Value	2.89%	2.40%	2.15%	1.89%
Net Bonded Debt per Capita	\$755.48	\$691.76	\$598.07	\$543.04

Source:

- (1) U.S. Bureau of Census of Population
- (2) Licking County Auditor
- (3) Includes all general obligation bonded debt supported by property taxes.
- (4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Heath

2002	2003	2004	2005	2006	2007
8,527	8,527	8,527	8,527	8,527	8,527
\$255,735,300	\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460	\$275,592,260
\$6,950,000	\$8,520,000	\$7,980,000	\$7,425,000	\$7,045,000	\$6,660,000
\$995,128	\$757,865	\$494,931	\$245,652	\$227,198	\$207,537
\$5,954,872	\$7,762,135	\$7,485,069	\$7,179,348	\$6,817,802	\$6,452,463
2.33%	3.05%	2.87%	2.37%	2.42%	2.34%
\$698.35	\$910.30	\$877.81	\$841.95	\$799.55	\$756.71



City of Heath

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2007*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Heath</u>	<u>Amount Applicable to the City of Heath</u>
Direct:			
City of Heath	\$4,480,000	100.00%	\$4,480,000
Overlapping:			
Heath City School District	100,872	94.46%	95,284
Licking County	22,067,243	7.75%	<u>1,710,211</u>
		Subtotal	<u>1,805,495</u>
		Total	<u><u>\$6,285,495</u></u>

Source: Licking County

City of Heath

Debt Limitations

Last Ten Years

Collection Year	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$211,466,850	\$233,751,260	\$236,728,410	\$244,948,550
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	22,204,019	24,543,882	24,856,483	25,719,598
City Debt Outstanding (2)	3,240,000	2,950,000	2,715,000	2,475,000
Less: Applicable Debt Service Fund Amounts	<u>(460,635)</u>	<u>(576,752)</u>	<u>(730,272)</u>	<u>(839,512)</u>
Net Indebtedness Subject to Limitation	<u>2,779,365</u>	<u>2,373,248</u>	<u>1,984,728</u>	<u>1,635,488</u>
Overall Legal Debt Margin	<u><u>\$19,424,654</u></u>	<u><u>\$22,170,634</u></u>	<u><u>\$22,871,755</u></u>	<u><u>\$24,084,110</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$211,466,850	\$233,751,260	\$236,728,410	\$244,948,550
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	11,630,677	12,856,319	13,020,063	13,472,170
City Debt Outstanding (2)	3,240,000	2,950,000	2,715,000	2,475,000
Less: Applicable Debt Service Fund Amounts	<u>(460,635)</u>	<u>(576,752)</u>	<u>(730,272)</u>	<u>(839,512)</u>
Net Indebtedness Subject to Limitation	<u>2,779,365</u>	<u>2,373,248</u>	<u>1,984,728</u>	<u>1,635,488</u>
Overall Legal Debt Margin	<u><u>\$8,851,312</u></u>	<u><u>\$10,483,071</u></u>	<u><u>\$11,035,335</u></u>	<u><u>\$11,836,682</u></u>

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

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

Source: City Auditor's Office

City of Heath

2002	2003	2004	2005	2006	2007
\$255,735,300	\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460	\$275,592,260
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
26,852,207	26,722,000	27,419,553	31,785,550	29,591,253	28,937,187
4,075,000	5,775,000	5,370,000	4,950,000	4,715,000	4,480,000
(955,128)	(757,865)	(494,931)	(245,652)	(227,198)	(207,537)
3,119,872	5,017,135	4,875,069	4,704,348	4,487,802	4,272,463
<u>\$23,732,335</u>	<u>\$21,704,865</u>	<u>\$22,544,484</u>	<u>\$27,081,202</u>	<u>\$25,103,451</u>	<u>\$24,664,724</u>
\$255,735,300	\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460	\$275,592,260
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
14,065,442	13,997,238	14,362,623	16,649,574	15,500,180	15,157,574
4,075,000	5,775,000	5,370,000	4,950,000	4,715,000	4,480,000
(955,128)	(757,865)	(494,931)	(245,652)	(227,198)	(207,537)
3,119,872	5,017,135	4,875,069	4,704,348	4,487,802	4,272,463
<u>\$10,945,570</u>	<u>\$8,980,103</u>	<u>\$9,487,554</u>	<u>\$11,945,226</u>	<u>\$11,012,378</u>	<u>\$10,885,111</u>

City of Heath

Demographic and Economic Statistics Last Ten Years

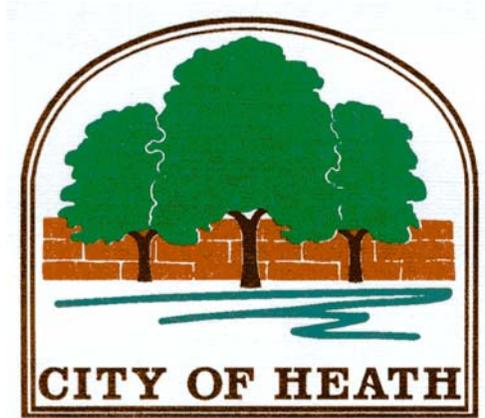
Calendar Year	1998	1999	2000	2001	2002
Population (1)					
City of Heath	8,100	8,100	8,527	8,527	8,527
Licking County	128,300	128,300	145,491	145,491	145,491
Income (2) (a)					
Total Personal (in thousands)	201,431	206,939	228,694	232,531	236,667
Per Capita	24,868	25,548	26,820	27,270	27,755
Unemployment Rate (3)					
Federal	4.9%	4.5%	4.2%	3.8%	4.8%
State	4.6%	4.3%	4.3%	3.7%	4.3%
Licking County	3.8%	3.6%	3.6%	3.6%	4.7%
Civilian Work Force Estimates (3)					
State	5,678,000	5,749,000	5,900,400	5,857,000	5,828,000
Licking County	72,800	72,500	73,100	75,100	77,800

Sources:

- (1) US Bureau of Census of Population
- (2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2006 for the presentation of 2007 statistics, the City is using the latest information available.
- (a) Per Capita Income is only available by County, Total Personal Income is a calculation
- (3) State Department of Labor Statistics

City of Heath

2003	2004	2005	2006	2007
8,527	8,527	8,527	8,527	8,527
145,491	145,491	145,491	145,491	145,491
240,862	253,124	260,270	274,237	274,237
28,247	29,685	30,523	32,161	32,161
5.8%	6.0%	5.5%	5.0%	4.6%
5.7%	6.1%	6.0%	5.9%	5.6%
5.3%	5.9%	5.8%	5.1%	5.2%
5,915,000	5,875,300	5,900,400	5,934,000	5,976,500
78,800	80,500	81,100	82,700	84,500



City of Heath

Principal Employers Current Year and Nine Years Ago

		2007	
Employer	Nature of Business	Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	1,018	1
Arvin/Meritor	Manufacturing	493	2
Super Wal-Mart	Retail Sales	483	3
Heath City Schools	Education	298	4
Heath Nursing Home	Health Care	278	5
Kaiser Aluminum & Chemical Co.	Manufacturing	271	6
Sears	Retail Sales	253	7
Lowe's Home Center	Retail Sales	235	8
Englefield Oil	Petroleum Products	207	9
Kroger	Retail/Grocery	153	10
Total		<u>3,689</u>	

		1998	
Employer	Nature of Business	Number of Employees	Rank
Central Ohio Aerospace and Technology Center	Manufacturing	1,242	1
Rockwell/Meritor Heavy Vehicle Systems	Manufacturing	1,051	2
Kaiser Aluminum and Chemical Corporation	Manufacturing	315	3
Wal-Mart Stores	Retail Sales	220	4
Krogers	Retail Grocery	200	5
Heath Nursing Home	Health Care	190	6
Englefield Oil	Petroleum Products	157	7
Sears	Retail Sales	156	8
Heath City Schools	Education	146	9
Mathews Ford	Automobile Sales and Service	111	10
Total		<u>3,788</u>	

Sources:

City of Heath Income Tax Department

Total number of employees within the City is not available.

City of Heath

Full Time Equivalent Employees by Function Last Ten Years

	1998	1999	2000	2001	2002
Governmental Activities					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor	1.00	1.00	1.00	1.00	1.00
Council	7.00	7.00	7.00	7.00	7.00
Clerk of Council	1.00	1.00	1.00	1.00	1.00
Legal	2.00	2.00	2.00	2.00	2.00
Administration	2.75	3.25	3.25	3.00	3.25
Income Tax	4.50	4.50	5.00	5.00	5.00
Service	1.25	1.25	1.25	1.25	1.25
Security of Persons and Property					
Police	20.00	22.00	22.00	21.00	22.00
Fire	14.00	17.00	24.50	26.75	27.00
Communications	8.50	9.00	10.00	10.00	9.00
Transportation					
Street	10.00	11.00	11.00	11.00	11.00
Leisure Time Activities					
Recreation / Parks	4.25	4.75	6.25	9.75	11.00
Water Park	13.25	13.75	14.00	15.25	27.25
Community Environment					
Zoning	2.00	2.00	2.00	2.00	2.00
Business-Type Activities					
Utilities					
Water	9.00	9.00	9.00	8.00	8.25
Sewer	10.00	10.00	9.25	9.00	9.25
<i>Total Employees</i>	<u>111.50</u>	<u>119.50</u>	<u>129.50</u>	<u>134.00</u>	<u>148.25</u>

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

Source: City Auditor's Office

City of Heath

2003	2004	2005	2006	2007
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	2.00
3.00	3.00	3.00	3.25	3.50
5.00	5.00	4.00	4.00	4.00
1.25	1.00	1.00	1.00	1.00
21.00	19.00	19.00	18.00	18.00
23.50	22.50	16.00	16.50	16.00
9.50	9.50	10.50	11.00	7.50
10.00	10.00	10.00	9.00	8.50
10.00	9.50	8.25	8.00	7.75
34.75	36.75	31.25	31.00	29.50
2.00	2.00	2.00	2.00	2.00
8.00	8.00	8.00	8.25	7.50
9.00	9.00	9.00	7.50	7.75
<u>149.00</u>	<u>147.25</u>	<u>134.00</u>	<u>131.50</u>	<u>125.00</u>

City of Heath

Operating Indicators by Function Last Ten Years

	1998	1999	2000	2001
Governmental Activities				
General Government				
Council				
Members	7	7	7	7
Number of Ordinances passed	131	122	88	103
Number of Resolutions passed	13	13	14	11
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	1,207	843	1,296	1,157
Number of Arrests	405	598	712	780
Fire				
Number of Calls	1,618	1,643	1,694	1,788
Number of Inspections	280	257	230	280
Transportation				
Street				
Number of Streets Resurfaced	18	20	3	15
Leisure Time Activities				
Recreation / Parks				
Number of Pool/Water Park Memberships Sold	299	338	461	400
Number of Rec Center Memberships Sold	73	190	2,123	227
Community Environment				
Number of Building Permits	226	219	184	174
Number of Building Inspections	204	196	167	154
Number of Board of Building and Zoning Appeal Cases	23	27	25	26
Business-Type Activities				
Water				
Number of Service Connections	3,050	3,050	3,225	3,225
Water Main Breaks				
Daily Average Consumption (thousands of gallons)	1,500	1,500	1,500	1,500
Maximun Daily Capacity (thousands of gallons)	1,800	1,800	1,800	1,800
Sewer				
Daily Average Sewage Treatment (thousands of gallons)	1,400	1,400	1,400	1,400

Source: City Auditor's Office

City of Heath

2002	2003	2004	2005	2006	2007
7	7	7	7	7	7
135	106	116	96	97	110
11	15	20	15	11	10
1,188	1,500	1,349	1,135	1,523	1,582
763	616	538	583	589	600
1,804	1,705	1,903	1,864	1,914	1,964
306	302	376	354	320	342
2	4	3	4	2	11
925	984	888	962	928	1,142
235	241	205	117	182	250
119	154	139	157	196	110
100	141	130	128	177	87
10	13	17	26	20	19
3,398	3,398	3,425	3,425	3,425	3,750
					1,300
1,500	1,200	1,200	1,200	1,300	4,000
1,800	4,000	4,000	4,000	4,000	
					1,600
1,400	1,300	1,300	1,300	1,300	0

City of Heath

Capital Asset Statistics by Function Last Ten Years

	1998	1999	2000	2001
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	129	129	130	130
Buildings	21	21	21	21
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Vehicles	7	7	8	8
Fire				
Stations	2	2	2	2
Vehicles	12	10	10	10
Transportation				
Street				
Streets (lane miles)	86	86	86	86
Street Lights	654	654	654	654
Traffic Signals (Intersections)	14	14	14	14
Vehicles	14	14	14	14
Leisure Time Activities				
Recreation / Parks				
Land (acres)	129	129	129	129
Buildings	2	2	2	2
Parks	8	8	8	8
Playgrounds	3	3	3	3
Swimming Pools	1	1	1	1
Baseball/Softball Diamonds	7	7	7	7
Sand Volleyball Courts	2	2	2	2
Fitness and Recreation Center	1	1	1	1

City of Heath

2002	2003	2004	2005	2006	2007
130	130	136	132	132	132
21	21	22	23	23	23
1	1	1	1	1	1
8	8	8	8	8	8
2	2	2	2	2	2
10	9	9	9	10	10
86	87	87	87	87	90
654	660	660	705	707	708
14	17	17	17	18	18
14	14	14	14	14	14
358	358	366	376	376	376
2	2	2	2	2	2
9	9	10	11	11	11
3	3	3	3	3	4
1	1	1	1	1	1
7	7	7	7	7	7
2	2	2	2	2	2
1	1	1	1	1	1

(Continued)

City of Heath

*Capital Asset Statistics by Function
Last Ten Years*

	1998	1999	2000	2001
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	60	60	60	60
Pump Stations	5	5	4	4
Number of Hydrants	505	505	505	505
Average Daily Consumption	1,500,000	1,500,000	1,500,000	1,500,000
Storage Capacity (thousands of gallons)	2,165	2,165	2,165	2,165
Sewer				
Sewerlines (Miles)	80	80	80	80
Lift Stations	14	15	15	15
Storm Drains (Miles)	51	51	52	52
Number of Catch Basins				
Treatment Capacity (thousands of gallons)	1,750	1,750	1,750	1,750

Source: City Auditor's Office

City of Heath

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
62	67	71	74	79	81
4	4	4	5	5	5
529	540	560	588	594	766
1,500,000	1,200,000	1,200,000	1,200,000	1,400,000	1,300,000
2,165	2,165	2,165	2,165	2,165	2,165
82	96	101	105	110	112
16	16	18	19	19	18
52	52	52	52	60	60
1,750	1,750	1,750	1,750	1,750	1,750

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Heath as of and for the year ended December 31, 2007, and have issued our report thereon dated June 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

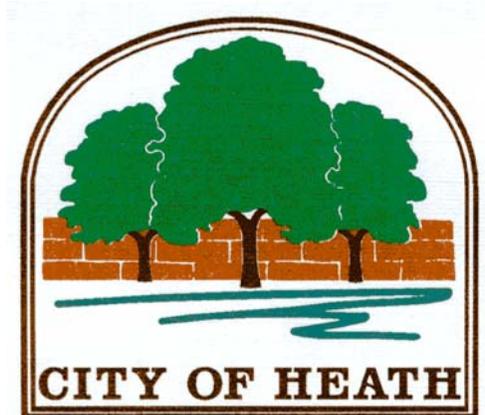
Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Heath's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of the City of Heath in a separate letter dated June 9, 2008.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 9, 2008





Mary Taylor, CPA
Auditor of State

**CITY OF HEATH
LICKING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 7, 2008**