

**CITY OF HEATH  
LICKING COUNTY  
REGULAR AUDIT  
JANUARY 1, 2012 – DECEMBER 31, 2012**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Heath, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

July 2, 2013

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**CITY OF HEATH  
LICKING COUNTY**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	1
SCHEDULE OF FINDINGS	3
SCHEDULE OF PRIOR AUDIT FINDINGS	5

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

City of Heath  
Licking County  
1287 Hebron Road  
Heath, Ohio 43056

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2013 wherein we noted the City adopted GASB Statement No.'s 63 and 65.

**Internal Control over Financial Reporting**

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-01 to be a significant deficiency.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

City of Heath  
Licking County  
Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*

***Compliance and Other Matters***

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

However, we noted matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 21, 2013.

***Entity's Response to Findings***

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
June 21, 2013

**CITY OF HEATH  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2012-01
----------------	---------

**Capital Asset Accounting Policies and Procedures**

The City has developed a capital asset policy that is used to account for and govern the administration, accounting, and reporting of the City’s capital assets. Based on the significance of capital assets when compared to total assets of the City, a consideration should be given to updating and revising its capital asset policy and related procedures. As part of this process, it is imperative that all City departments, not only limited to the Auditor’s Office, be involved and considered integral part of ensuring the completeness and accuracy of the capital asset balances reported.

The Government Finance Officers Association has published the guide “Accounting for Capital Assets” which provides suggestions for proper accountability and reporting of capital assets. The City should review its current capital asset policy and procedures and consider incorporating the following:

- The City has several authorized agreements with the Ohio Department of Transportation for Local Let Projects. The City’s responsibility for all current projects through the Ohio Department of Transportation is limited to passing enabling legislation and to provide a local match to complete the project. Specific to the State Route 79 project which comprises a significant portion of construction in progress recorded within governmental activities capital assets, the City is not communicating with the Ohio Department of Transportation to determine what costs relate to infrastructure (i.e. streets), land (i.e. easements and right-of-ways) or land improvements (i.e. traffic signals) but only tracking total costs incurred. Since it is anticipated this project will be completed in 2013, it is imperative that the City begin communicating with the Ohio Department of Transportation in order to reconcile construction in progress recorded to the actual capital assets subject to depreciation.
- Procedures should be implemented, contingent on resources available, to develop a system to periodically undertake physical inventories of their capital assets. These procedures are important in order to provide the means to identify that idle assets still exist and are in use or should be disposed of by the City.
- A standardized reporting process should be developed to reconcile project costs recorded by the Auditor’s Office and reflected within the accounting system to construction contracts and planning and zoning records. An audit adjustment was necessary to properly present Sewer Fund construction in progress recorded as infrastructure totaling \$3,981,557, as building and improvements other than buildings totaling \$2,943,593 and \$1,037,964, respectively.
- The Auditor’s Office is considered responsible for financial reporting and includes proper reporting for capital assets. The City should communicate with departments throughout the year to identify assets received or contributed to/from other local governments, transfers of existing assets to other departments, or the disposal of assets no longer in use. Performing this function throughout the year contrary to the end of the year may reduce the risk of improper reporting.

**CITY OF HEATH  
LICKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2012-01 (Continued)
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**Capital Asset Accounting Policies and Procedures (Continued)**

- The Auditor’s Office has recently experienced turnover in a position considered responsible for capital asset reporting and working with their consultant to determine all capital assets were recorded as additions, disposals, and depreciated for purposes of preparing its basic financial statements. The City should consider cross-training employees for this vacant position and also clearly communicate the types of reports necessary for proper financial reporting and the importance of determining the completeness and accuracy of information reported to the Auditor’s Office from other departments.

We recommend the City revisit its capital asset accounting policy and consider incorporating procedures outlined above as recommended by the Government Finance Officers Association. The City should also consider changes specific to accounting for construction in progress and placing assets into operation once completed.

**Official’s Response:** The City will evaluate its procedures for capital asset reporting in order to determine the amounts reported in the City’s basic financial statements are complete and accurate.

**CITY OF HEATH  
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; <b>Explain:</b>
2011-01	Financial Reporting.	No	Audit Adjustments Reported for Capital Assets as Noted in Finding 2012-01.

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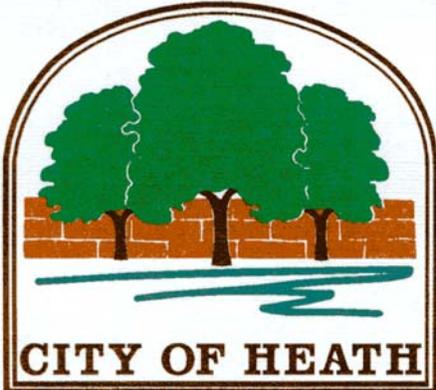
# CITY OF HEATH, OHIO

*Licking County*



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2012

*Prepared by the City Auditor's Department*

Mr. Keith B. Alexander  
City Auditor



TABLE OF CONTENTS

CITY OF HEATH  
LICKING COUNTY, OHIO

---

**I** INTRODUCTORY SECTION

**A** Letter of Transmittal .....v  
**B** List of Principal Officials .....x  
**C** City Organizational Chart .....xi  
**D** Certificate of Achievement for Excellence in Financial Reporting.....xii

**II** FINANCIAL SECTION

**A** Independent Auditor’s Report.....1  
**B** Management’s Discussion and Analysis.....5  
**C** Basic Financial Statements:  
    Government-wide Financial Statements:  
        Statement of Net Position .....15  
        Statement of Activities .....16  
    Fund Financial Statements:  
        *Governmental Funds:*  
            Balance Sheet .....18  
            Reconciliation of Total Governmental Fund Balances to Net Position of  
            Governmental Activities.....20  
            Statement of Revenues, Expenditures and Changes in Fund Balances .....22  
            Reconciliation of the Statement of Revenues, Expenditures and Changes  
            in Fund Balances of Governmental Funds to the Statement of Activities .....24  
            Statement of Revenues, Expenditures and Changes in Fund Balance –  
            Budget and Actual (Non-GAAP Budgetary Basis):  
                General Fund .....25  
        *Proprietary Funds:*  
            Statement of Net Position .....26  
            Statement of Revenues, Expenses and Changes in Fund Net Position.....28  
            Statement of Cash Flows .....29  
        *Fiduciary Fund:*  
            Statement of Net Position .....31  
            Statement of Changes in Net Position .....32  
Notes to the Basic Financial Statements.....33

**D Combining and Individual Fund Statements and Schedules:**

Nonmajor Governmental Financial Statements:

Combining Balance Sheet.....	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	73
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	76
Combining Balance Sheet – Nonmajor Capital Projects Funds .....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds .....	79

Individual Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):

Major Governmental Funds:

<i>General Fund</i> .....	81
<i>Capital Projects Fund:</i>	
Capital Improvement Fund.....	85

Nonmajor Governmental Funds:

*Special Revenue Funds:*

Street Construction Maintenance and Repair Fund.....	86
State Highway Fund .....	87
County \$5 Permissive License Tax Fund.....	88
Swimming Pool Fund.....	89
Municipal Motor Vehicle License Tax Fund .....	90
Fire Levy Fund .....	91
Fire Pension Fund.....	92
Police Pension Fund .....	93
Law Enforcement Trust Fund.....	94
Police Professional Training Fund .....	95
Enforcement and Education Fund .....	96
D.A.R.E. Fund.....	97
Conn Memorial Trust Fund.....	98

Nonmajor Governmental Funds: (Continued)

*Debt Service Fund:*

General Obligation Debt Service Fund .....99

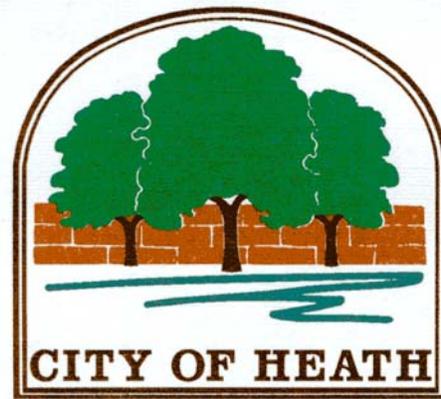
*Capital Projects Funds:*

Irving Wick Drive Improvement Fund.....100  
Paving Fund.....101  
Hopewell Bridge Fund .....102

**III**

**STATISTICAL SECTION**

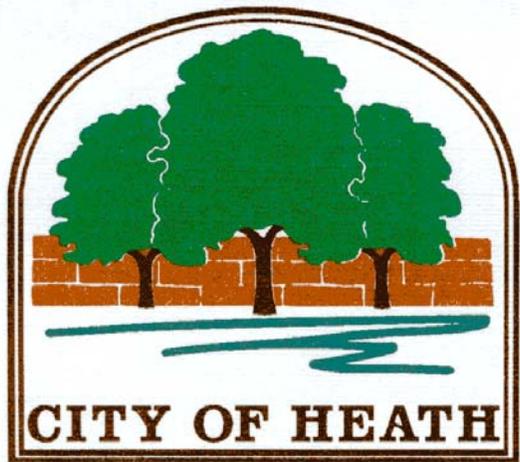
Net Position by Component - Last Ten Years ..... S 2  
Changes in Net Position - Last Ten Years..... S 4  
Fund Balances, Governmental Funds - Last Ten Years ..... S 8  
Changes in Fund Balances, Governmental Funds - Last Ten Years ..... S 10  
Income Tax Revenues by Source, Governmental Funds - Last Ten Years ..... S 14  
Income Tax Statistics - Current Year and Nine Years Ago ..... S 17  
Ratio of Outstanding Debt By Type - Last Ten Years ..... S 18  
Ratios of General Bonded Debt Outstanding - Last Ten Years..... S 20  
Computation of Direct and Overlapping Debt Attributable to  
Governmental Activities - Current Year ..... S 23  
Debt Limitations - Last Ten Years ..... S 24  
Demographic and Economic Statistics - Last Ten Years ..... S 26  
Principal Employers - Current Year and Nine Years Ago ..... S 29  
Full Time Equivalent Employees by Function - Last Ten Years ..... S 30  
Operating Indicators by Function - Last Ten Years ..... S 32  
Capital Asset Statistics by Function - Last Ten Years ..... S 34



## *INTRODUCTORY SECTION*

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# CITY OF HEATH

1287 Hebron Road • Heath, Ohio 43056

Keith B. Alexander, City Auditor

phone (740) 522-1420

fax (740)-522-6324

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June 21, 2013

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, 2012. The report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

## INTRODUCTION

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

Accounting Principles Generally Accepted in the United States of America requires 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 Auditor's Report.

## The Reporting Entity

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

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

***Letter of Transmittal  
For the Year Ended December 31, 2012***

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**The City of Heath**

The City of Heath continues to be a growing community located twenty-five miles east of Ohio’s capital city, Columbus. It is bounded on the north by the City of Newark, the county seat of Licking County. The City's elevation is approximately 830 feet above sea level. Its median temperatures are 75 degrees in summer and 30.2 degrees in winter. State highways 79 and 13 serve as the City's major transportation arteries. The east-west interstate highway I-70 that lies approximately 6 miles south also serves the City. Heath’s 10.5 square mile area serves a residential population of 10,310 (census 2011) and an estimated daytime population of 45,000. The daytime population is concentrated in the State Route 79 corridor, the area of the Central Ohio Aerospace and Technology Center, the Indian Mound Mall, and Southgate and Cross Creek Shopping Centers.

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

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

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

**Labor Relations**

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

<u>Number of Employees</u>	<u>Employee Classification</u>
75	Classified employees
9	Elected officials
3	Appointed employees

**CITY OF HEATH, OHIO**

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***Letter of Transmittal  
For the Year Ended December 31, 2012***

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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, 2014	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2014	16
International Association of Firefighters Local 2930	April 17, 2014	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2014	30

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
- 1 Appointed law advisors
- 3 Exempted classified employees
- 1 Appointed Administrative Assistant
- 6 Department Heads

**ECONOMIC OUTLOOK & MAJOR INITIATIVES**

2012 presented an improved outlook in development, as residential, commercial and industrial projects either met or exceeded last years' pace. American Veneer and Edge Banding, Englefield Oil, and National Industrial Lumber all expanded, improving work force numbers as well as space for inventory. Gummer Wholesale reduced some staff. Coughlin Toyota, Panera Bread, Dick's Sporting Goods, Longhorn Steakhouse, Community Bank, Pappy's Grill, Homestead Beer, and the Goodwill Store began operations, which all added jobs for Heath.

***Letter of Transmittal  
For the Year Ended December 31, 2012***

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Plans for 2013 include:

Water:	Treatment Plant Improvement	\$1,495,000
Pool:	New Roof	\$40,000
Police:	New carpet in locker room and patrol area	\$2,000
	Four new computer workstations	\$4,000

**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 of the following:

1. The City's assets are protected against loss and unauthorized use or disposition.
2. 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:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation.
2. 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 Auditor's office is responsible for the auditing and analysis of all purchase orders of the City. Personnel of the Auditor's office carefully review purchase orders to ensure the availability of monies in the proper funds and accounts prior to the certification and subsequent payment of approved invoices. The City utilizes a fully automated accounting system as well as an automated system of controls for capital asset accounting and payroll. These systems, coupled with the review and examination performed by the City Auditor's office, ensure that the financial information generated is both accurate and reliable.

***Letter of Transmittal  
For the Year Ended December 31, 2012***

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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

Lower levels within each object 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 object 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.

**OTHER INFORMATION**

**Independent Audit**

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

**Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2011. The City has received this award each year since 1994. The GFOA awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 through 2008. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

***Letter of Transmittal  
For the Year Ended December 31, 2012***

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**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.

**Acknowledgments**

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

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

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

Respectfully,



Keith B. Alexander  
City Auditor

**CITY OF HEATH, OHIO**

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**List of Principal Officials  
For the Year Ended December 31, 2012**

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<b><i>ELECTED OFFICIALS</i></b>	<b><i>OFFICE</i></b>	<b><i>TERM EXPIRES</i></b>	<b><i>SURETY</i></b>
Mark D. Johns	Mayor	01/01/2014	
Keith B. Alexander	Auditor	03/31/2016	B
Tim Kelley	Council Member – at Large President of Council	01/01/2016	
Cledys Henry	Council Member at Large President-Pro-Tem	01/01/2016	
Deborah Cole	Council Member at Large	01/01/2016	
Brian Johnson	Council Member - Ward 1	01/01/2014	
Richard Morrow	Council Member - Ward 2	01/01/2014	
Doug Heffley	Council Member - Ward 3	01/01/2014	
Jeffrey Crabill	Council Member at Large	01/01/2016	

<b><i>ADMINISTRATIVE PERSONNEL</i></b>	<b><i>TITLE</i></b>	<b><i>TERM OF OFFICE</i></b>	<b><i>SURETY</i></b>
Kimberly Geller	Income Tax Commissioner	Indefinite	A
Anthony Shepherd	Police Chief	Indefinite	
John R. Mason	Police Lieutenant	Indefinite	
Mark Huggins	Fire Chief	Indefinite	
John Geller	Utilities Director	Indefinite	
Robert Geller	Street and Parks Superintendent	Indefinite	
John Groff	Building and Zoning Inspector	Indefinite	
David C. Morrison	Law Director	Indefinite	
Linda M. Richards	Assistant Auditor	Indefinite	
Lynn M. Hunt	Clerk of Council	Indefinite	
Ginna Walker	Mayor's Secretary/Administrative Assistant	Indefinite	
Deborah K. Whitefield	Administrative Assistant	Indefinite	
Charles Kyle	Recreation Director	Indefinite	

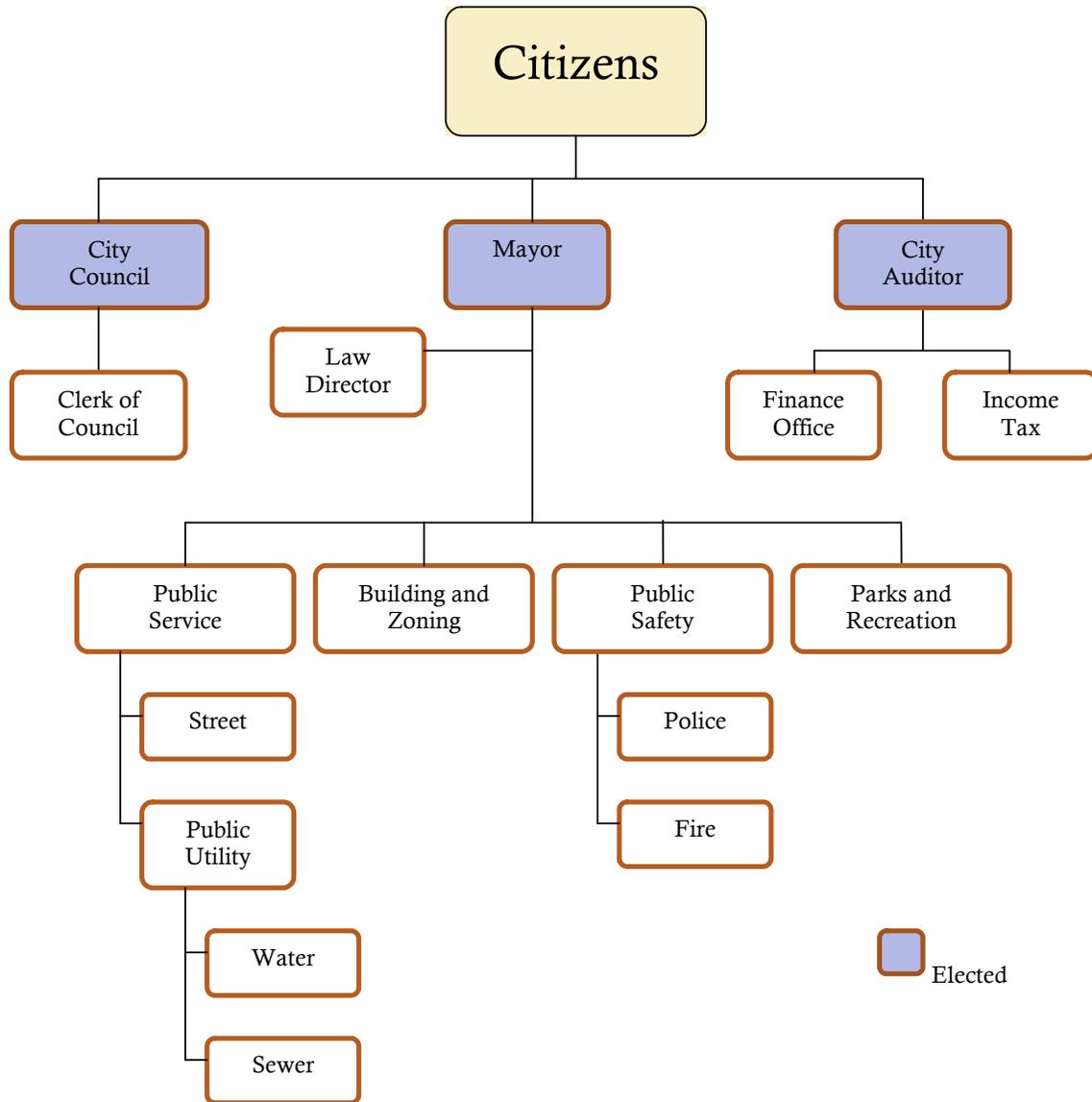
(A) \$100,000 Fidelity and Deposit Company of Maryland 06/1/04 - Indefinite  
 (B) \$100,000 Ohio Farmers Insurance Company 06/1/04 - Indefinite

**City Address:**

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

**City Organizational Chart  
For the Year Ended December 31, 2012**

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**Boards and Commissions**

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- |                                      |                                   |
|--------------------------------------|-----------------------------------|
| 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         |

*Government Finance Officers Association of the United States and Canada  
Certificate of Achievement for Excellence in Financial Reporting*

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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, 2011

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.



*Christopher P. Moirice*

President

*Jeffrey R. Emer*

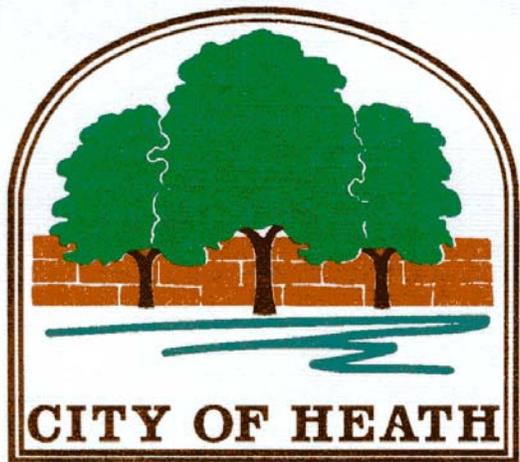
Executive Director



## *FINANCIAL SECTION*

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City of Heath  
Licking County  
1287 Hebron Road  
Heath, Ohio 43056

## INDEPENDENT AUDITOR'S REPORT

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio, as of December 31, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As disclosed in Note 2, the City has implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary and Other Information***

Our audit was conducted to opine on the City's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information present additional analysis and is not a required part of the basic financial statements.

The financial section's combining statements, individual fund statements and schedules, are management's responsibility, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements.

We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

City of Heath  
Licking County  
Independent Auditor's Report

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Wilson, Shannon & Sons, Inc.*

Newark, Ohio  
June 21, 2013



The management's discussion and analysis of the City of Heath's (the City) financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2012. 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 2012 are as follows:**

In total, net position increased \$3,474,849. Net position of governmental activities increased \$1,986,466 which represents a 5.5% increase from 2011. Net position of business-type activities increased \$1,488,383 or 8.8% from 2011.

General revenues accounted for \$7.4 million in revenue or 41.8% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for 58.2% of total revenues of \$17.7 million.

The City had \$10.6 million in expenses related to governmental activities; \$5.3 million of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes) of \$7.4 million assisted in providing for these programs.

Among major funds, the general fund had \$6.8 million in revenues and \$7 million in expenditures and other financing uses. The general fund's fund balance decreased \$221,649 to \$3.3 million.

Net position for enterprise funds increased by \$1,483,312. More than half of the increase came in the form of capital contributions.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

**Government-wide Statements**

The government-wide statements report information about the City as a whole using accepting methods similar to those used by private-sector companies. The statement of net position 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 position and how they have changed. Net-position (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 position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

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

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

**Fund Financial Statements**

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

**Governmental Funds** – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position 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, 2012**

**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 position between December 31, 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$9,189,891	\$8,753,404	\$6,054,453	\$4,952,470	\$15,244,344	\$13,705,874
Capital assets, Net	35,115,913	33,514,321	22,033,254	21,049,435	57,149,167	54,563,756
Total assets	44,305,804	42,267,725	28,087,707	26,001,905	72,393,511	68,269,630
Long-term debt outstanding	4,001,066	4,352,507	8,015,490	7,806,857	12,016,556	12,159,364
Other liabilities	946,461	537,932	1,612,833	1,224,047	2,559,294	1,761,979
Total liabilities	4,947,527	4,890,439	9,628,323	9,030,904	14,575,850	13,921,343
Deferred Inflows of Resources	1,316,632	1,322,107	0	0	1,316,632	1,322,107
Net position						
Net investment in Capital Assets	31,800,652	29,909,342	13,030,295	12,254,042	44,830,947	42,163,384
Restricted	3,354,720	3,049,296	0	0	3,354,720	3,049,296
Unrestricted	2,886,273	3,096,541	5,429,089	4,716,959	8,315,362	7,813,500
Total net position	\$38,041,645	\$36,055,179	\$18,459,384	\$16,971,001	\$56,501,029	\$53,026,180

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

Changes in Net position – The following table shows the changes in net position for the fiscal year 2012 and 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for Services and Sales	\$1,073,136	\$998,739	\$4,011,249	\$3,905,739	\$5,084,385	\$4,904,478
Operating Grants and Contributions	618,558	667,962	0	0	618,558	667,962
Capital Grants and Contributions	3,563,796	3,306,967	1,018,846	252,530	4,582,642	3,559,497
Total Program Revenues	<u>5,255,490</u>	<u>4,973,668</u>	<u>5,030,095</u>	<u>4,158,269</u>	<u>10,285,585</u>	<u>9,131,937</u>
General revenues:						
Property Taxes	1,160,354	1,174,167	0	0	1,160,354	1,174,167
Income Taxes	5,411,079	5,278,585	0	0	5,411,079	5,278,585
Other Local Taxes	9,793	10,388	0	0	9,793	10,388
Intergovernmental Revenue, Unrestricted	566,595	814,944	0	0	566,595	814,944
Investment Earnings	126,018	82,186	22,498	19,419	148,516	101,605
Miscellaneous	82,279	217,901	0	0	82,279	217,901
Total General Revenues	<u>7,356,118</u>	<u>7,578,171</u>	<u>22,498</u>	<u>19,419</u>	<u>7,378,616</u>	<u>7,597,590</u>
Total Revenues	<u>12,611,608</u>	<u>12,551,839</u>	<u>5,052,593</u>	<u>4,177,688</u>	<u>17,664,201</u>	<u>16,729,527</u>
Program Expenses:						
Security of Persons and Property	5,152,842	4,910,998	0	0	5,152,842	4,910,998
Public Health and Welfare Services	56,500	56,000	0	0	56,500	56,000
Leisure Time Activities	1,345,282	1,458,652	0	0	1,345,282	1,458,652
Community Environment	279,054	326,445	0	0	279,054	326,445
Basic Utility Services	0	252,530	0	0	0	252,530
Transportation	2,359,144	1,387,741	0	0	2,359,144	1,387,741
General Government	1,345,507	1,423,316	0	0	1,345,507	1,423,316
Interest and Fiscal Charges	86,813	238,230	0	0	86,813	238,230
Business Type Activities:						
Water	0	0	1,653,612	1,588,324	1,653,612	1,588,324
Sewer	0	0	1,910,598	2,094,078	1,910,598	2,094,078
Total Expenses	<u>10,625,142</u>	<u>10,053,912</u>	<u>3,564,210</u>	<u>3,682,402</u>	<u>14,189,352</u>	<u>13,736,314</u>
Total Change in Net Position	1,986,466	2,497,927	1,488,383	495,286	3,474,849	2,993,213
Beginning Net Position	<u>36,055,179</u>	<u>33,557,252</u>	<u>16,971,001</u>	<u>16,475,715</u>	<u>53,026,180</u>	<u>50,032,967</u>
Ending Net Position	<u>\$38,041,645</u>	<u>\$36,055,179</u>	<u>\$18,459,384</u>	<u>\$16,971,001</u>	<u>\$56,501,029</u>	<u>\$53,026,180</u>

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

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**Governmental Activities**

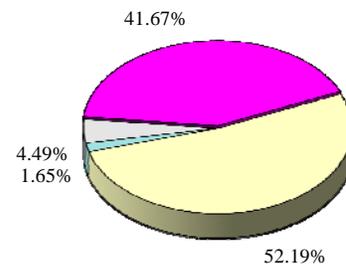
Net position of the City's governmental activities increased by \$1,986,466. The increase can be attributed to capital contributions from the Ohio Department of Transportation related to the State Route 79 improvements.

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 9.2% and 42.9% respectively of revenues for governmental activities for the City in fiscal year 2012. The City's reliance upon tax revenues is demonstrated by the following graph indicating 52.19% of total revenues from general tax revenues:

Revenue Sources	2012	Percent of Total
Intergovernmental Revenue, Unrestricted	\$566,595	4.49%
Program Revenues	5,255,490	41.67%
General Tax Revenues	6,581,226	52.19%
General Other	208,297	1.65%
Total Revenue	<u>\$12,611,608</u>	<u>100.00%</u>



**Business-Type Activities**

Net position of the business-type activities increased by \$1,488,383. The 8.8% increase in net position can be attributed primarily to receipts of \$1,018,846 of contributed capital related to donated capital assets.

***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$6,489,024, which is an increase from last year's balance of \$6,413,815. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2012 and 2011:

	<u>Fund Balance December 31, 2012</u>	<u>Fund Balance December 31, 2011</u>	<u>Increase (Decrease)</u>
General	\$3,293,095	\$3,514,744	(\$221,649)
Capital Improvement Fund	1,853,345	1,842,091	11,254
Other Governmental	<u>1,342,584</u>	<u>1,056,980</u>	<u>285,604</u>
Total	<u><u>\$6,489,024</u></u>	<u><u>\$6,413,815</u></u>	<u><u>\$75,209</u></u>

General Fund – The City's General Fund balance decreased 6.3% from 2011. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	<u>2012 Revenues</u>	<u>2011 Revenues</u>	<u>Increase (Decrease)</u>
Taxes	\$5,501,706	\$5,389,691	\$112,015
Intergovernmental Revenue	556,463	662,536	(106,073)
Charges for Services	461,078	400,975	60,103
Licenses and Permits	40,331	24,697	15,634
Investment Earnings	125,539	80,839	44,700
Fines and Forfeitures	17,092	16,682	410
All Other Revenue	<u>82,279</u>	<u>217,901</u>	<u>(135,622)</u>
Total	<u><u>\$6,784,488</u></u>	<u><u>\$6,793,321</u></u>	<u><u>(\$8,833)</u></u>

General Fund revenues in 2012 were relatively unchanged in total compared to revenues in fiscal year 2011. Income taxes rebounded slightly due to modest improvement in the economy and helped overcome decreases to intergovernmental revenue and miscellaneous revenues.

***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

	2012	2011	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$3,889,755	\$3,761,402	\$128,353
Public Health and Welfare Services	56,500	56,000	500
Leisure Time Activities	617,318	810,510	(193,192)
Community Environment	274,696	322,269	(47,573)
General Government	<u>1,334,738</u>	<u>1,337,004</u>	<u>(2,266)</u>
Total	<u>\$6,173,007</u>	<u>\$6,287,185</u>	<u>(\$114,178)</u>

General Fund expenditures decreased by \$114,178 or 1.8% over the prior year due to decreased spending on leisure time activities and normal increases in security of persons expenditures.

*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 2012, the fund balance remained relatively unchanged.

**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 2012, the City amended its General Fund budget several times. The increase in the final budgeted appropriations of \$469,777 and the positive variance with the final budget of \$329,715 was the result of carefully watchful spending.

For the General Fund, final budget basis revenue of \$6,747,955 did not change when compared to the original budget estimates.

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2012 the City had \$57,149,167 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$35,115,913 was related to governmental activities and \$22,033,254 to the business-type activities. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$10,075,521	\$10,075,521	\$0
Construction in Progress	6,144,423	3,638,113	2,506,310
Total Non-Depreciable Capital Assets	16,219,944	13,713,634	2,506,310
Buildings	6,473,278	6,436,438	36,840
Improvements Other Than Buildings	3,807,628	3,807,628	0
Machinery and Equipment	5,985,483	5,999,998	(14,515)
Infrastructure	20,902,256	20,902,256	0
Less: Accumulated Depreciation	(18,272,676)	(17,345,633)	(927,043)
Total Depreciable Capital Assets, Net	18,895,969	19,800,687	(904,718)
Totals	\$35,115,913	\$33,514,321	\$1,601,592

	Business-Type Activities		Increase (Decrease)
	2012	2011	
Land	\$397,374	\$397,374	\$0
Construction in Progress	824,215	3,982,931	(3,158,716)
Total Non-Depreciable Capital Assets	1,221,589	4,380,305	(3,158,716)
Buildings	15,619,517	12,675,924	2,943,593
Improvements Other Than Buildings	2,553,382	1,515,418	1,037,964
Machinery and Equipment	5,621,860	5,481,115	140,745
Infrastructure	17,317,826	16,625,370	692,456
Less: Accumulated Depreciation	(20,300,920)	(19,628,697)	(672,223)
Total Depreciable Capital Assets, Net	20,811,665	16,669,130	4,142,535
Totals	\$22,033,254	\$21,049,435	\$983,819

***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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The largest increases in governmental activities capital assets occurred in construction in progress. The cause of the increase is due to the State Route 79 improvements.

Additional information on the City's capital assets can be found in Note 10.

***Debt***

At December 31, 2012, the City had \$5,095,000 in bonds outstanding, \$495,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bonds	\$3,225,000	\$3,555,000
Capital Leases	90,261	49,979
Compensated Absences	685,805	747,528
Total Governmental Activities	<u>4,001,066</u>	<u>4,352,507</u>
Business-Type Activities:		
General Obligation Bonds	1,870,000	1,520,000
OWDA Loans	5,942,607	6,081,565
OPWC Loan	90,352	93,828
Compensated Absences	112,531	111,464
Total Business-Type Activities	<u>8,015,490</u>	<u>7,806,857</u>
Totals	<u>\$12,016,556</u>	<u>\$12,159,364</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. At December 31, 2012, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

**ECONOMIC FACTORS**

Income tax collections for 2012 were up slightly from 2011.

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 upwardly spiraling health insurance costs.

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

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Auditor's Office by calling (740) 522-1420 or writing to City of Heath Auditor's Office, 1287 Hebron Rd., Heath, Ohio 43056.

**CITY OF HEATH, OHIO**

**Statement of Net Position  
December 31, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,862,481	\$ 952,999	\$ 2,815,480
Investments	4,094,326	4,144,721	8,239,047
Receivables:			
Taxes	2,045,984	0	2,045,984
Accounts	6,523	525,550	532,073
Intergovernmental	938,768	372,838	1,311,606
Internal Balances	12,002	(12,002)	0
Inventory of Supplies at Cost	109,951	46,562	156,513
Prepaid Items	58,739	23,785	82,524
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	61,117	0	61,117
Non-Depreciable Capital Assets	16,219,944	1,221,589	17,441,533
Depreciable Capital Assets, Net	18,895,969	20,811,665	39,707,634
<b>Total Assets</b>	<b>44,305,804</b>	<b>28,087,707</b>	<b>72,393,511</b>
<b>Liabilities:</b>			
Accounts Payable	535,345	464,492	999,837
Accrued Wages and Benefits Payable	349,877	34,875	384,752
Intergovernmental Payable	144	0	144
Claims Payable	51,969	0	51,969
Accrued Interest Payable	9,126	13,466	22,592
General Obligation Notes Payable	0	1,100,000	1,100,000
Noncurrent liabilities:			
Due within one year	322,720	595,184	917,904
Due in more than one year	3,678,346	7,420,306	11,098,652
<b>Total Liabilities</b>	<b>4,947,527</b>	<b>9,628,323</b>	<b>14,575,850</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	1,316,632	0	1,316,632
<b>Net Position:</b>			
Net Investment in Capital Assets	31,800,652	13,030,295	44,830,947
Restricted For:			
Capital Projects	1,863,020	0	1,863,020
Debt Service	148,062	0	148,062
Security of Persons	207,750	0	207,750
Transportation	1,052,172	0	1,052,172
Leisure Time Activities	83,716	0	83,716
Unrestricted	2,886,273	5,429,089	8,315,362
<b>Total Net Position</b>	<b>\$ 38,041,645</b>	<b>\$ 18,459,384</b>	<b>\$ 56,501,029</b>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2012**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 5,152,842	\$ 496,150	\$ 0	\$ 0
Public Health and Welfare Services	56,500	0	0	0
Leisure Time Activities	1,345,282	511,839	0	111,450
Community Environment	279,054	34,921	0	0
Transportation	2,359,144	17,804	618,558	3,452,346
General Government	1,345,507	12,422	0	0
Interest and Fiscal Charges	86,813	0	0	0
<b>Total Governmental Activities</b>	<b>10,625,142</b>	<b>1,073,136</b>	<b>618,558</b>	<b>3,563,796</b>
<b>Business-Type Activities:</b>				
Water	1,653,612	1,989,091	0	424,000
Sewer	1,910,598	2,022,158	0	594,846
<b>Total Business-Type Activities</b>	<b>3,564,210</b>	<b>4,011,249</b>	<b>0</b>	<b>1,018,846</b>
<b>Totals</b>	<b>\$ 14,189,352</b>	<b>\$ 5,084,385</b>	<b>\$ 618,558</b>	<b>\$ 4,582,642</b>

**General Revenues:**

Property Taxes  
Municipal Income Taxes  
Other Local Taxes  
Intergovernmental Revenues, Unrestricted  
Investment Earnings  
Miscellaneous  
Total General Revenues  
  
Change in Net Position  
  
Net Position Beginning of Year  
  
Net Position End of Year

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (4,656,692)	\$ 0	\$ (4,656,692)
(56,500)	0	(56,500)
(721,993)	0	(721,993)
(244,133)	0	(244,133)
1,729,564	0	1,729,564
(1,333,085)	0	(1,333,085)
(86,813)	0	(86,813)
<u>(5,369,652)</u>	<u>0</u>	<u>(5,369,652)</u>
0	759,479	759,479
0	706,406	706,406
<u>0</u>	<u>1,465,885</u>	<u>1,465,885</u>
<u>(5,369,652)</u>	<u>1,465,885</u>	<u>(3,903,767)</u>
1,160,354	0	1,160,354
5,411,079	0	5,411,079
9,793	0	9,793
566,595	0	566,595
126,018	22,498	148,516
82,279	0	82,279
<u>7,356,118</u>	<u>22,498</u>	<u>7,378,616</u>
1,986,466	1,488,383	3,474,849
<u>36,055,179</u>	<u>16,971,001</u>	<u>53,026,180</u>
<u>\$ 38,041,645</u>	<u>\$ 18,459,384</u>	<u>\$ 56,501,029</u>

**CITY OF HEATH, OHIO**

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**Balance Sheet  
Governmental Funds  
December 31, 2012**

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	General	Capital Improvement
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 306,530	\$ 203,872
Investments	2,462,252	1,632,074
Receivables:		
Taxes	1,274,075	20,814
Accounts	6,523	0
Intergovernmental	197,465	468,254
Inventory of Supplies, at Cost	27,434	0
Prepaid Items	52,122	0
Restricted Assets:		
Cash and Cash Equivalents with Fiscal Agent	0	0
<b>Total Assets</b>	<u>\$ 4,326,401</u>	<u>\$ 2,325,014</u>
<b>Liabilities:</b>		
Accounts Payable	\$ 48,140	\$ 468,254
Accrued Wages and Benefits Payable	159,574	0
Intergovernmental Payable	144	0
<b>Total Liabilities</b>	<u>207,858</u>	<u>468,254</u>
<b>Deferred Inflows of Resources:</b>		
Unavailable Amounts	204,587	3,415
Property Tax Levy for Next Fiscal Year	620,861	0
<b>Total Deferred Inflows of Resources</b>	<u>825,448</u>	<u>3,415</u>
<b>Fund Balances:</b>		
Nonspendable	79,556	0
Restricted	0	0
Committed	0	1,853,345
Assigned	483,099	0
Unassigned	2,730,440	0
<b>Total Fund Balances</b>	<u>3,293,095</u>	<u>1,853,345</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 4,326,401</u>	<u>\$ 2,325,014</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 1,342,363	\$ 1,852,765
0	4,094,326
751,095	2,045,984
0	6,523
273,049	938,768
82,517	109,951
6,617	58,739
61,117	61,117
<u>\$ 2,516,758</u>	<u>\$ 9,168,173</u>
\$ 18,951	\$ 535,345
190,303	349,877
0	144
<u>209,254</u>	<u>885,366</u>
269,149	477,151
695,771	1,316,632
<u>964,920</u>	<u>1,793,783</u>
89,134	168,690
1,237,199	1,237,199
151,211	2,004,556
0	483,099
(134,960)	2,595,480
<u>1,342,584</u>	<u>6,489,024</u>
<u>\$ 2,516,758</u>	<u>\$ 9,168,173</u>

***Reconciliation Of Total Governmental Fund Balances  
To Net Position Of Governmental Activities  
December 31, 2012***

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<b>Total Governmental Fund Balances</b>	\$ 6,489,024
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	35,115,913
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	477,151
Long-term liabilities, including bonds payable and interest, are not due and payable in the current period and therefore are not reported in the funds.	(4,010,192)
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 fund is included in governmental activities in the statement of net position. This is the balance that is recorded in the governmental activities.	<u>(30,251)</u>
<b><i>Net Position of Governmental Funds</i></b>	<b><u>\$ 38,041,645</u></b>

See accompanying notes to the basic financial statements



**CITY OF HEATH, OHIO**

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**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2012**

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	General	Capital Improvement
<b>Revenues:</b>		
Taxes	\$ 5,501,706	\$ 166,856
Intergovernmental Revenues	556,463	2,591,857
Charges for Services	461,078	0
Licenses and Permits	40,331	0
Investment Earnings	125,539	0
Fines and Forfeitures	17,092	0
All Other Revenue	82,279	18,572
<b>Total Revenues</b>	<u>6,784,488</u>	<u>2,777,285</u>
<b>Expenditures:</b>		
Current:		
Security of Persons and Property	3,889,755	1,474
Public Health and Welfare Services	56,500	0
Leisure Time Activities	617,318	119,429
Community Environment	274,696	0
Transportation	0	2,645,128
General Government	1,334,738	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
<b>Total Expenditures</b>	<u>6,173,007</u>	<u>2,766,031</u>
Excess (Deficiency) of Revenues Over Expenditures	611,481	11,254
<b>Other Financing Sources (Uses):</b>		
Capital Lease Issued	0	0
Issuance of Refunding Bond	0	0
Premium on Refunding Bonds Issued	0	0
Payment to Refunded Bond Escrow Agent	0	0
Transfers In	0	0
Transfers Out	(806,460)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(806,460)</u>	<u>0</u>
Net Change in Fund Balances	(194,979)	11,254
<b>Fund Balances at Beginning of Year</b>	3,514,744	1,842,091
Increase (Decrease) in Inventory Reserve	(26,670)	0
<b>Fund Balances End of Year</b>	<u>\$ 3,293,095</u>	<u>\$ 1,853,345</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 909,219	\$ 6,577,781
1,662,069	4,810,389
490,488	951,566
0	40,331
479	126,018
25,956	43,048
19,619	120,470
<u>3,107,830</u>	<u>12,669,603</u>
1,115,466	5,006,695
0	56,500
422,214	1,158,961
0	274,696
1,696,218	4,341,346
0	1,334,738
344,037	344,037
123,368	123,368
<u>3,701,303</u>	<u>12,640,341</u>
(593,473)	29,262
49,319	49,319
1,300,000	1,300,000
40,480	40,480
(1,301,248)	(1,301,248)
788,460	788,460
0	(806,460)
<u>877,011</u>	<u>70,551</u>
283,538	99,813
1,056,980	6,413,815
2,066	(24,604)
<u>\$ 1,342,584</u>	<u>\$ 6,489,024</u>

***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For the Year Ended December 31, 2012***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 99,813

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation. 1,602,617

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. (1,025)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (57,995)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 289,718

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,323

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. 10,239

The Internal Service Fund is used to charge the cost of services (e.g. insurance) to individual funds and is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities. 40,776

***Change in Net Position of Governmental Activities*** \$ 1,986,466

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,494,764	\$ 5,494,764	\$ 5,509,584	\$ 14,820
Intergovernmental Revenue	622,861	622,861	639,007	16,146
Charges for Services	429,080	429,080	461,078	31,998
Licenses and Permits	29,000	29,000	40,331	11,331
Investment Earnings	125,050	125,050	131,224	6,174
Fines and Forfeitures	14,000	14,000	17,191	3,191
All Other Revenues	33,200	33,200	82,279	49,079
Total Revenues	<u>6,747,955</u>	<u>6,747,955</u>	<u>6,880,694</u>	<u>132,739</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,801,438	4,038,243	3,906,904	131,339
Public Health and Welfare Services	56,500	56,500	56,500	0
Leisure Time Activities	725,320	732,592	649,678	82,914
Community Environment	294,201	364,201	345,122	19,079
General Government	1,404,087	1,441,587	1,345,204	96,383
Total Expenditures	<u>6,281,546</u>	<u>6,633,123</u>	<u>6,303,408</u>	<u>329,715</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	466,409	114,832	577,286	462,454
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(688,260)	(806,460)	(806,460)	0
Total Other Financing Sources (Uses):	<u>(688,260)</u>	<u>(806,460)</u>	<u>(806,460)</u>	<u>0</u>
Net Change in Fund Balance	(221,851)	(691,628)	(229,174)	462,454
Fund Balance at Beginning of Year	2,815,684	2,815,684	2,815,684	0
Prior Year Encumbrances	51,356	51,356	51,356	0
Fund Balance at End of Year	<u>\$ 2,645,189</u>	<u>\$ 2,175,412</u>	<u>\$ 2,637,866</u>	<u>\$ 462,454</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

**Statement of Net Position  
Proprietary Funds  
December 31, 2012**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
<b>ASSETS:</b>				
Current assets:				
Cash and Cash Equivalents	\$ 198,583	\$ 754,416	\$ 952,999	\$ 9,716
Investments	1,589,731	2,554,990	4,144,721	0
Receivables:				
Accounts	252,738	272,812	525,550	0
Intergovernmental	372,838	0	372,838	0
Inventory of Supplies at Cost	38,738	7,824	46,562	0
Prepaid Items	7,028	16,757	23,785	0
Total current assets	<u>2,459,656</u>	<u>3,606,799</u>	<u>6,066,455</u>	<u>9,716</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	1,129,642	91,947	1,221,589	0
Depreciable Capital Assets, Net	9,658,627	11,153,038	20,811,665	0
Total noncurrent assets	<u>10,788,269</u>	<u>11,244,985</u>	<u>22,033,254</u>	<u>0</u>
Total Assets	<u>13,247,925</u>	<u>14,851,784</u>	<u>28,099,709</u>	<u>9,716</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	421,498	42,994	464,492	0
Accrued Wages and Benefits Payable	19,665	15,210	34,875	0
Claims Payable	0	0	0	51,969
Accrued Interest Payable	13,466	0	13,466	0
General Obligation Notes Payable	1,100,000	0	1,100,000	0
General Obligation Bonds Payable - Current	255,000	0	255,000	0
OWDA Loans Payable - Current	0	292,183	292,183	0
OPWC Loans Payable - Current	0	3,476	3,476	0
Compensated Absences Payable - Current	8,006	36,519	44,525	0
Total current liabilities	<u>1,817,635</u>	<u>390,382</u>	<u>2,208,017</u>	<u>51,969</u>

**CITY OF HEATH, OHIO**

	Business-Type Activities			
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	Governmental Activities - Internal Service Fund
Noncurrent liabilities:				
General Obligation Bonds Payable	1,615,000	0	1,615,000	0
OWDA Loans Payable	0	5,650,424	5,650,424	0
OPWC Loans Payable	0	86,876	86,876	0
Compensated Absences Payable	34,975	33,031	68,006	0
Total noncurrent liabilities	<u>1,649,975</u>	<u>5,770,331</u>	<u>7,420,306</u>	<u>0</u>
Total Liabilities	<u>3,467,610</u>	<u>6,160,713</u>	<u>9,628,323</u>	<u>51,969</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	7,818,269	5,212,026	13,030,295	0
Unrestricted	<u>1,962,046</u>	<u>3,479,045</u>	<u>5,441,091</u>	<u>(42,253)</u>
Total net position	<u>\$ 9,780,315</u>	<u>\$ 8,691,071</u>	<u>18,471,386</u>	<u>\$ (42,253)</u>
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	<u>(12,002)</u>
			Net Position of Business-type Activities	<u>\$ 18,459,384</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2012**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
<b>Operating Revenues:</b>				
Charges for Services	\$ 1,976,718	\$ 1,996,130	\$ 3,972,848	\$ 749,000
Other Operating Revenue	12,373	26,028	38,401	121,871
<b>Total Operating Revenues</b>	<u>1,989,091</u>	<u>2,022,158</u>	<u>4,011,249</u>	<u>870,871</u>
<b>Operating Expenses:</b>				
Personal Services	615,077	613,392	1,228,469	0
Contractual Services	393,563	609,989	1,003,552	0
Materials and Supplies	223,471	101,168	324,639	0
Health Claims Expense	0	0	0	843,024
Depreciation	359,596	374,083	733,679	0
<b>Total Operating Expenses</b>	<u>1,591,707</u>	<u>1,698,632</u>	<u>3,290,339</u>	<u>843,024</u>
<b>Operating Income</b>	397,384	323,526	720,910	27,847
<b>Non-operating Revenue (Expenses):</b>				
Investment Earnings	0	22,498	22,498	0
Interest and Fiscal Charges	(64,448)	(214,494)	(278,942)	0
<b>Total Non-operating Revenues (Expenses)</b>	<u>(64,448)</u>	<u>(191,996)</u>	<u>(256,444)</u>	<u>0</u>
<b>Income Before Transfers and Contributions</b>	332,936	131,530	464,466	27,847
Capital Contributions	424,000	594,846	1,018,846	0
Transfers In	0	0	0	18,000
<b>Change in Net Position</b>	756,936	726,376	1,483,312	45,847
<b>Net Position Beginning of Year</b>	<u>9,023,379</u>	<u>7,964,695</u>	<u>16,988,074</u>	<u>(88,100)</u>
<b>Net Position End of Year</b>	<u>\$ 9,780,315</u>	<u>\$ 8,691,071</u>	<u>18,471,386</u>	<u>\$ (42,253)</u>
			Change in Net Position - Total Enterprise Funds	1,483,312
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	5,071
			Change in Net Position - Business-type Activities	<u>\$ 1,488,383</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, 2012**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,954,933	\$2,017,002	\$3,971,935	\$749,000
Cash Payments for Goods and Services	(598,609)	(705,179)	(1,303,788)	(887,172)
Cash Payments to Employees	(601,351)	(624,386)	(1,225,737)	0
Other Operating Cash Receipts	12,373	26,028	38,401	121,871
Net Cash Provided (Used) by Operating Activities	<u>767,346</u>	<u>713,465</u>	<u>1,480,811</u>	<u>(16,301)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	0	0	0	18,000
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,000</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(205,000)	0	(205,000)	0
Issuance of General Obligation Bond Payable	555,000	0	555,000	0
Premium on General Obligation Bond Payable	10,454	0	10,454	0
Issuance of General Obligation Note Payable	1,100,000	0	1,100,000	0
Premium on General Obligation Note Payable	5,456	0	5,456	0
Principal Paid on General Obligation Note Payable	(1,100,000)	0	(1,100,000)	0
Acquisition and Construction of Assets	(424,202)	(266,930)	(691,132)	0
Principal Paid on Ohio Water Development Authority Loans	0	(282,259)	(282,259)	0
Principal Paid on Ohio Public Works Commission Loans	0	(3,476)	(3,476)	0
Receipt of Ohio Water Development Authority Loans	0	143,301	143,301	0
Interest Paid on All Debt	(83,833)	(214,494)	(298,327)	0
Net Cash Used for Capital and Related Financing Activities	<u>(142,125)</u>	<u>(623,858)</u>	<u>(765,983)</u>	<u>0</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	(1,589,731)	(362,108)	(1,951,839)	0
Receipts of Interest	0	23,411	23,411	0
Net Cash Used by Investing Activities	<u>(1,589,731)</u>	<u>(338,697)</u>	<u>(1,928,428)</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(964,510)	(249,090)	(1,213,600)	1,699
Cash and Cash Equivalents at Beginning of Year	1,163,093	1,003,506	2,166,599	8,017
Cash and Cash Equivalents at End of Year	<u>\$198,583</u>	<u>\$754,416</u>	<u>\$952,999</u>	<u>\$9,716</u>

(Continued)

**CITY OF HEATH, OHIO**

	Business-Type Activities Enterprise Funds			Governmental- Activities Internal Service Fund
	Water	Sewer	Total	
<u>Reconciliation of Operating Income to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income	\$397,384	\$323,526	\$720,910	\$27,847
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	359,596	374,083	733,679	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(21,785)	20,872	(913)	0
(Increase) Decrease in Inventory	1,804	(3,459)	(1,655)	0
Decrease in Prepaid Items	8,872	6,948	15,820	0
Increase in Accounts Payable	7,869	2,489	10,358	0
Decrease in Health Claims Payable	0	0	0	(44,148)
Increase (Decrease) in Accrued Wages and Benefits Payable	3,340	(1,795)	1,545	0
Increase (Decrease) in Compensated Absences Payable	10,266	(9,199)	1,067	0
Total Adjustments	369,962	389,939	759,901	(44,148)
Net Cash Provided (Used) by Operating Activities	\$767,346	\$713,465	\$1,480,811	(\$16,301)

Schedule of Noncash Investing, Capital and Financing Activities:

During 2012, the fair value of investments reported in the Sewer Fund decreased by \$913. During 2012 the Water and Sewer Funds received \$424,000 and \$594,846, respectively, of contributed capital assets.

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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**Statement of Net Position  
Fiduciary Fund  
December 31, 2012**

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	Private Purpose Trust
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 5,274
<b>Total Assets</b>	<u>5,274</u>
<b>Liabilities:</b>	
<b>Total Liabilities</b>	<u>0</u>
<b>Net Position:</b>	
Unrestricted	5,274
<b>Total Net Position</b>	<u>\$ 5,274</u>

See accompanying notes to the basic financial statements

**CITY OF HEATH, OHIO**

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***Statement of Changes in Net Position  
Fiduciary Fund  
For the Year Ended December 31, 2012***

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	Private Purpose Trust
<b>Additions:</b>	
Total Additions	\$ 0
<b>Deductions:</b>	
Total Deductions	0
Change in Net Position	0
Net Position at Beginning of Year	5,274
Net Position End of Year	\$ 5,274

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**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, 2012 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

**A. Reporting Entity**

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

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

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

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, 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, 2012***

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**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.

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 position.

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 position and changes in net position. 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, 2012***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net position 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, 2012***

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**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 position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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, 2012 but which are not intended to finance 2012 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources as further described in Note 7.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**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.

**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 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 Fund is required to be reported. The legal level of budgetary control is by fund at the object level (personal services, materials and supplies, contractual services, etc.) by department. Budgetary modifications may only be made by ordinance of the City Council.

**1. Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2012.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process** (Continued)

**2. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. During 2012, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

**3. Lapsing of Appropriations**

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

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**4. Budgetary Basis of Accounting**

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

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$194,979)
Increase (Decrease):	
Accrued Revenues at December 31, 2012 received during 2013	(660,973)
Accrued Revenues at December 31, 2011 received during 2012	757,179
Accrued Expenditures at December 31, 2012 paid during 2013	207,858
Accrued Expenditures at December 31, 2011 paid during 2012	(218,305)
2012 Prepays for 2013	(52,122)
2011 Prepays for 2012	54,726
Outstanding Encumbrances	<u>(122,558)</u>
Budget Basis	<u><u>(\$229,174)</u></u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Cash and Cash Equivalents**

During fiscal year 2012, cash and cash equivalents included amounts in demand deposits, certificates of deposit, U.S. Treasury Money Market accounts in Fifth-Third and Merrill Lynch investment accounts.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. (See Note 6, "Cash, Cash Equivalents and Investments.")

**G. Investments**

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

**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, 2012, 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, 2012***

---

**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 activities. 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 Position, 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 Position and in the respective funds.

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Capital Assets and Depreciation (Continued)**

3. Depreciation

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

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

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

**K. Long-Term Obligations**

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Compensated Absences**

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

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

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

**M. Restricted Assets**

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

**N. Pensions**

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

**O. Operating Revenues and Expenses**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Self-Funded Insurance**

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

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Flows of cash or goods from one fund to another with a requirement for repayment are reported as Interfund Loans Receivable/Payable. There were no outstanding interfund loans at December 31, 2012. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

**R. Fund Balance**

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

*Nonspendable* – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

*Restricted* – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Fund Balance** (Continued)

*Committed* – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

*Assigned* – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Charter authorizes the City Auditor to assign fund balance.

*Unassigned* – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

**S. Net Position**

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

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

**T. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2012 the City implemented GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 3 – FUND BALANCE CLASSIFICATION**

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$52,122	\$0	\$6,617	\$58,739
Supplies Inventory	27,434	0	82,517	109,951
Total Nonspendable	<u>79,556</u>	<u>0</u>	<u>89,134</u>	<u>168,690</u>
Restricted:				
Transportation Projects	0	0	794,947	794,947
Park Maintenance	0	0	82,251	82,251
Law Enforcement	0	0	52,420	52,420
Fire Department	0	0	297,906	297,906
Capital Improvements	0	0	9,675	9,675
Total Restricted	<u>0</u>	<u>0</u>	<u>1,237,199</u>	<u>1,237,199</u>
Committed:				
Debt Service	0	0	151,211	151,211
Capital Improvements	0	1,853,345	0	1,853,345
Total Committed	<u>0</u>	<u>1,853,345</u>	<u>151,211</u>	<u>2,004,556</u>
Assigned:				
Other Purposes	97,375	0	0	97,375
Excess Appropriations FY 2013	385,724	0	0	385,724
Total Assigned	<u>483,099</u>	<u>0</u>	<u>0</u>	<u>483,099</u>
Unassigned	<u>2,730,440</u>	<u>0</u>	<u>(134,960)</u>	<u>2,595,480</u>
Total Fund Balances	<u>\$3,293,095</u>	<u>\$1,853,345</u>	<u>\$1,342,584</u>	<u>\$6,489,024</u>

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 4 – 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 position**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental funds as reported in the government-wide statement of net position. 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	\$113,839
Delinquent Property Tax Revenue	35,557
Shared Revenues	<u>327,755</u>
	<u>\$477,151</u>

*Long-Term liabilities not reported in the funds:*

General Obligation Bonds Payable	(\$3,225,000)
Capital Leases Payable	(90,261)
Accrued Interest on Long-Term Debt	(9,126)
Compensated Absences Payable	<u>(685,805)</u>
	<u>(\$4,010,192)</u>

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 4 – 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 position of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

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

Capital Outlay	\$2,650,249
Depreciation Expense	(1,047,632)
	<u>\$1,602,617</u>

*Governmental revenues not reported in the funds:*

Increase in Delinquent Income Tax Revenue	\$1,234
Increase in Delinquent Property Tax	2,211
Decrease in Shared Revenue	(61,440)
	<u>(\$57,995)</u>

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

General Obligation Bond Principal	\$230,000
Swimming Pool General Obligation Bond Principal	105,000
Capital Lease Issued	(49,319)
Noncapitalized Bond Issuance Costs	(6,248)
Capital Lease Payments	9,037
Issuance of Refunding Bond	(1,300,000)
Payment to Refunded Bond Escrow Agent	1,301,248
	<u>\$289,718</u>

*Expenses not requiring the use of current financial resources:*

Decrease in Compensated Absences Payable	\$34,843
Decrease in supplies inventory	(24,604)
	<u>\$10,239</u>

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 5 - COMPLIANCE AND ACCOUNTABILITY**

**A. Fund Deficits**

The fund deficits at December 31, 2012 of \$69,291 in the Fire Pension Fund, of \$62,373 in the Police Pension Fund (special revenue funds) and of \$42,253 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 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Time certificates of deposit or savings or deposit accounts including, but not limited to passbook accounts;
- Bonds and other obligations of the State of Ohio or Ohio local governments;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**A. Deposits**

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

At year end the carrying amount of the City’s deposits was \$5,900,894 and the bank balance was \$6,059,728. Federal depository insurance covered \$1,000,000 of the bank balance. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$5,059,728</u>
Total Balance	<u><u>\$5,059,728</u></u>

**B. Investments**

The City’s investments at December 31, 2012 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>
FNMA	\$2,641,303	AA+	\$0	\$20,480	\$2,620,823
FHLB	930,018	AA+	0	795,184	134,834
FHLMC	263,520	AA+	0	0	263,520
FFCB	305,346	AA+	47,230	258,116	0
Municipal Bonds	<u>1,018,720</u>	AA+	<u>0</u>	<u>1,018,720</u>	<u>0</u>
Total Investments	<u><u>\$5,158,907</u></u>		<u><u>\$47,230</u></u>	<u><u>\$2,092,500</u></u>	<u><u>\$3,019,177</u></u>

\*- Credit rating from Standard & Poor’s

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

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

*Concentration of Credit Risk* – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 51.2% are FNMA, 18% are FHLB, 5.1% are FHLMC, 5.9% are FFCB and 19.8% are Municipal Bonds.

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 6 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**C. Cash With Fiscal Agent**

The City has uninsured and uncollateralized cash in the amount of \$61,117 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. 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	\$2,820,754	\$8,239,047
Certificates of Deposit (with maturities of more than 3 months)	3,080,140	(3,080,140)
Per GASB Statement No. 3	<u>\$5,900,894</u>	<u>\$5,158,907</u>

\* Does not include cash with fiscal agent.

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 7 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2012 were levied after October 1, 2011 on assessed values as of January 1, 2011, 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 reappraisal was completed in 2007. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 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 88 percent of its true value. Public utility property taxes are payable on the same dates as the real property taxes 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, 2012 was \$3.80 per \$1,000 of assessed value. The assessed value upon which the 2012 levy was based was \$270,780,340. This amount constitutes \$264,496,150 in real property assessed value and \$6,284,190 in public utility 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.

Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2012 and for which there is an enforceable legal claim. In the General Fund, Fire Levy Fund, Fire Pension Fund and Police Pension Fund, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2012 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is recorded as a deferred inflow of resources.

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 7 - TAXES (Continued)**

**B. Income Tax**

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

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

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2012 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

**NOTE 9 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2012:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$0	\$806,460
Other Governmental Funds	788,460	0
Total Governmental Transfers	<u>788,460</u>	<u>806,460</u>
Proprietary Fund:		
Internal Service Fund	18,000	0
Totals	<u><u>\$806,460</u></u>	<u><u>\$806,460</u></u>

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 10 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2012:

**Historical Cost:**

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<b>Non-Depreciable Capital Assets:</b>				
Land	\$10,075,521	\$0	\$0	\$10,075,521
Construction in Progress	3,638,113	2,506,310	0	6,144,423
Subtotal	13,713,634	2,506,310	0	16,219,944
<b>Depreciable Capital Assets:</b>				
Buildings	6,436,438	36,840	0	6,473,278
Improvements other than Buildings	3,807,628	0	0	3,807,628
Machinery and Equipment	5,999,998	107,099	(121,614)	5,985,483
Infrastructure	20,902,256	0	0	20,902,256
Subtotal	37,146,320	143,939	(121,614)	37,168,645
Total Cost	\$50,859,954	\$2,650,249	(\$121,614)	\$53,388,589

**Accumulated Depreciation:**

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings	(\$2,664,033)	(\$150,536)	\$0	(\$2,814,569)
Improvements other than Buildings	(1,704,241)	(180,147)	0	(1,884,388)
Machinery and Equipment	(4,106,842)	(190,579)	120,589	(4,176,832)
Infrastructure	(8,870,517)	(526,370)	0	(9,396,887)
Total Depreciation	(\$17,345,633)	(\$1,047,632) *	\$120,589	(\$18,272,676)
<b>Net Value:</b>	\$33,514,321			\$35,115,913

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$190,646
Leisure Time Activities	268,236
Community Environment	1,918
Transportation	563,474
General Government	23,358
Total Depreciation Expense	\$1,047,632

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 10 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<b><i>Non-Depreciable Capital Assets:</i></b>				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	3,982,931	721,817	(3,880,533)	824,215
Subtotal	4,380,305	721,817	(3,880,533)	1,221,589
<b><i>Depreciable Capital Assets:</i></b>				
Buildings	12,675,924	2,943,593	0	15,619,517
Improvements Other Than Buildings	1,515,418	1,037,964	0	2,553,382
Machinery and Equipment	5,481,115	202,201	(61,456)	5,621,860
Infrastructure	16,625,370	692,456	0	17,317,826
Subtotal	36,297,827	4,876,214	(61,456)	41,112,585
Total Cost	\$40,678,132	\$5,598,031	(\$3,941,989)	\$42,334,174

***Accumulated Depreciation:***

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings	(\$5,923,974)	(\$304,055)	\$0	(\$6,228,029)
Improvements Other Than Buildings	(1,052,147)	(73,370)	0	(1,125,517)
Machinery and Equipment	(4,509,669)	(107,111)	61,456	(4,555,324)
Infrastructure	(8,142,907)	(249,143)	0	(8,392,050)
Total Depreciation	(\$19,628,697)	(\$733,679)	\$61,456	(\$20,300,920)
<b><i>Net Value:</i></b>	\$21,049,435			\$22,033,254

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

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

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

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City’s contributions for pension obligations to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$267,027, \$289,456 and \$204,533, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2012, 12.75% of annual covered salary for police and 17.25% of annual covered salary for firefighters, respectively, were the portions used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2012, 2011, and 2010 were \$157,963, \$157,983 and \$154,306 for police and \$206,164, \$192,866 and \$169,623 for firefighters, respectively, which were equal to the required contributions for each year.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

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

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

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$106,811, \$115,783 and \$138,628, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2012, 2011, and 2010 were \$83,627, \$83,638 and \$81,691 for police and \$86,649, \$75,469 and \$66,374 for firefighters, respectively, which were equal to the required contributions for each year.

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 13 – 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, 2012, the City's accumulated, unpaid compensated absences amounted to \$798,336. Of this amount, \$685,805 is recorded as Governmental Activities on the Entity Wide Statement of Net Position (\$57,671 is reported as due within one year), \$112,531 is recorded as Business-type activities (\$44,525 is reported as due within one year).

**NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS**

Long-term debt and other long-term obligations of the City at December 31, 2012 were as follows:

	Original Liability		Balance December 31, 2011	Additions	(Reductions)	Balance December 31, 2012	Amounts Due Within One Year	
<b>Governmental Activities:</b>								
General Obligation Bonds:								
2.00 - 3.63%	Swimming Pool Refunding	1,325,000	2022	\$1,305,000	\$0	(\$105,000)	\$1,200,000	\$110,000
3.00 - 5.00%	State Route 79 Improvement	2,035,000	2023	1,385,000	0	(1,385,000)	0	0
2.00 - 3.00%	S.R. 79 Refunding	1,300,000	2023	0	1,300,000	(25,000)	1,275,000	15,000
1.20 - 3.50%	Fire Station Refunding	1,195,000	2018	865,000	0	(115,000)	750,000	115,000
	<b>Total General Obligation Bonds</b>			<u>3,555,000</u>	<u>1,300,000</u>	<u>(1,630,000)</u>	<u>3,225,000</u>	<u>240,000</u>
	Capital Leases	89,348		49,979	49,319	(9,037)	90,261	25,049
	Compensated Absences			747,528	87,783	(149,506)	685,805	57,671
	<b>Total Governmental Long-Term Debt</b>			<u>\$4,352,507</u>	<u>\$1,437,102</u>	<u>(\$1,788,543)</u>	<u>\$4,001,066</u>	<u>\$322,720</u>
<b>Business Type Activities:</b>								
General Obligation Bond:								
1.20 - 3.50%	Water Refunding	2,100,000	2018	\$1,520,000	\$0	(\$205,000)	\$1,315,000	\$205,000
2.00 - 2.50%	Franklin Ave. Waterline	555,000	2022	0	555,000	0	555,000	50,000
	<b>Total General Obligation Bonds</b>			<u>1,520,000</u>	<u>555,000</u>	<u>(205,000)</u>	<u>1,870,000</u>	<u>255,000</u>
Ohio Water Development Authority Loans:								
3.76%	Loan SRF-4011	2,757,604	2024	2,137,903	0	(130,247)	2,007,656	135,190
3.25%	Loan SRF-5657	4,110,016	2032	3,943,662	143,301	(152,012)	3,934,951	156,993
	<b>Total OWDA Loans</b>			<u>6,081,565</u>	<u>143,301</u>	<u>(282,259)</u>	<u>5,942,607</u>	<u>292,183</u>
	0.00% OPWC Loan Payable	104,256	2038	93,828	0	(3,476)	90,352	3,476
	Compensated Absences			111,464	17,787	(16,720)	112,531	44,525
	<b>Total Business Type Long-Term Debt</b>			<u>\$7,806,857</u>	<u>\$716,088</u>	<u>(\$507,455)</u>	<u>\$8,015,490</u>	<u>\$595,184</u>

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire long-term debt outstanding at December 31, 2012 were as follows:

Years	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	\$240,000	\$87,006	\$255,000	\$50,075
2014	345,000	81,918	260,000	44,462
2015	355,000	74,418	270,000	38,212
2016	360,000	66,132	275,000	31,200
2017	365,000	57,056	285,000	23,500
2018-2022	1,420,000	149,245	525,000	29,526
2023	140,000	4,200	0	0
Totals	<u>\$3,225,000</u>	<u>\$519,975</u>	<u>\$1,870,000</u>	<u>\$216,975</u>

Years	OWDA Loans		OPWC Loan	
	Principal	Interest	Principal	Interest
2013	\$292,183	\$204,570	\$3,476	\$0
2014	302,458	194,295	3,476	0
2015	313,096	183,657	3,476	0
2016	324,110	172,643	3,476	0
2017	335,513	161,240	3,476	0
2018-2022	1,863,254	620,508	17,380	0
2023-2027	1,556,821	298,689	17,380	0
2028-2032	955,172	79,689	17,380	0
2033-2037	0	0	17,380	0
2038	0	0	3,452	0
Totals	<u>\$5,942,607</u>	<u>\$1,915,291</u>	<u>\$90,352</u>	<u>\$0</u>

**A. Defeased Debt**

In September 2009, the City refunded \$1,150,000 of General Obligation Bonds for Fire Station Improvements, through the issuance of \$1,195,000 of General Obligation Bonds. The net proceeds of the 2009 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$750,000 at December 31, 2012, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

**A. Defeased Debt** (Continued)

In September 2009, the City refunded \$2,025,000 of General Obligation Bonds for Water Improvements, through the issuance of \$2,100,000 of General Obligation Bonds. The net proceeds of the 2009 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,515,000 at December 31, 2012, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In April 2011, the City refunded \$1,200,000 of General Obligation Bonds for Swimming Pool Improvements, through the issuance of \$1,325,000 of General Obligation Bonds. The net proceeds of the 2011 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,115,000 at December 31, 2012, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In April 2012, the City refunded \$1,295,000 of General Obligation Bonds for State Route 79 Improvements, through the issuance of \$1,300,000 of General Obligation Bonds. The net proceeds of the 2012 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,295,000 at December 31, 2012, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$86,826 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$76,911.

**B. OWDA Loans**

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

**C. OPWC Loans**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 15 - CAPITAL LEASES**

The City leases a Durapatcher (roadway spray patching machine) and mobile computers for the Police Department. The cost of the equipment obtained under the lease agreements (\$10,974) is included in the Governmental Activities capital assets as machinery and equipment. The liabilities for these leases are recorded on the Statement of Net Position 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, 2012:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2013	\$30,029
2014	30,029
2015	30,029
2016	<u>11,676</u>
Minimum Lease Payments	101,763
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(11,502)</u>
Present value of minimum lease payments	<u><u>\$90,261</u></u>

**NOTE 16 - RISK MANAGEMENT**

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

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

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**NOTE 16 - 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, American National Insurance, which monitors all claim payments. Excess loss coverage, provided by the HCC Life Insurance Company, becomes effective after \$45,000 per year per specific claim. There is an annual maximum coverage per person of \$2,000,000.

The claims liability of \$51,969 reported in the fund at December 31, 2012 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 2011 and 2012 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>
2011	\$186,159	\$1,023,719	(\$1,113,761)	\$96,117
2012	96,117	843,024	(887,172)	51,969

**NOTE 17 - CONTINGENCIES**

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

***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 18 - NOTES PAYABLE**

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

General Obligation Notes:	Balance December 31, 2011	Issued	(Retired)	Balance December 31, 2012
Water Fund:				
1.00% Water Tank Note	\$1,100,000	\$1,100,000	(\$1,100,000)	\$1,100,000

**NOTE 19 – SUBSEQUENT EVENT**

The City authorized the issuance of \$1,495,000 water treatment plant improvement bonds for purposes of paying costs of improvements to the City’s water plant. The bonds were issued at an interest rates ranging from 1.25% to 3% and final maturity in the year 2022.



*COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES*

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

***Nonmajor Governmental Funds***

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***Special Revenue Funds***

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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 Levy Fund**

To account for property tax collected and designated for the operations of the Fire Department.

**Fire Pension Fund**

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

**Police Pension Fund**

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

**Law Enforcement Trust Fund**

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

**Police Professional Training Fund**

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

(Continued)

***Special Revenue Funds***

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**Enforcement and Education Fund**

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

**D.A.R.E. Fund**

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

**Conn Memorial Trust Fund**

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

***Debt Service Fund***

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

**General Obligation Debt Service Fund**

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

***Capital Projects Funds***

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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.

**Irving Wick Drive Improvement Fund**

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

**Paving Fund**

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

**Hopewell Bridge Fund**

To account for financial resources used for improving the Hopewell Bridge.

**CITY OF HEATH, OHIO**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2012**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,211,925	\$ 9,675	\$ 120,763	\$ 1,342,363
Receivables:				
Taxes	714,670	0	36,425	751,095
Intergovernmental	270,110	2,939	0	273,049
Inventory of Supplies, at Cost	82,517	0	0	82,517
Prepaid Items	6,617	0	0	6,617
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	61,117	0	0	61,117
<b>Total Assets</b>	<u>\$ 2,346,956</u>	<u>\$ 12,614</u>	<u>\$ 157,188</u>	<u>\$ 2,516,758</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 16,012	\$ 2,939	\$ 0	\$ 18,951
Accrued Wages and Benefits Payable	190,303	0	0	190,303
<b>Total Liabilities</b>	<u>206,315</u>	<u>2,939</u>	<u>0</u>	<u>209,254</u>
<b>Deferred Inflows and Resources:</b>				
Unavailable Amounts	263,172	0	5,977	269,149
Property Tax Levy for Next Year	695,771	0	0	695,771
<b>Total Deferred Inflows of Resources</b>	<u>958,943</u>	<u>0</u>	<u>5,977</u>	<u>964,920</u>
<b>Fund Balances:</b>				
Nonspendable	89,134	0	0	89,134
Restricted	1,227,524	9,675	0	1,237,199
Committed	0	0	151,211	151,211
Unassigned	(134,960)	0	0	(134,960)
<b>Total Fund Balances</b>	<u>1,181,698</u>	<u>9,675</u>	<u>151,211</u>	<u>1,342,584</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 2,346,956</u>	<u>\$ 12,614</u>	<u>\$ 157,188</u>	<u>\$ 2,516,758</u>

**CITY OF HEATH, OHIO**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2012**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 617,221	\$ 0	\$ 291,998	\$ 909,219
Intergovernmental Revenues	690,130	971,939	0	1,662,069
Charges for Services	490,488	0	0	490,488
Investment Earnings	479	0	0	479
Fines and Forfeitures	25,956	0	0	25,956
All Other Revenue	19,619	0	0	19,619
<b>Total Revenue</b>	<b>1,843,893</b>	<b>971,939</b>	<b>291,998</b>	<b>3,107,830</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,115,466	0	0	1,115,466
Leisure Time Activities	422,214	0	0	422,214
Transportation	724,279	971,939	0	1,696,218
Debt Service:				
Principal Retirement	114,037	0	230,000	344,037
Interest and Fiscal Charges	39,108	0	84,260	123,368
<b>Total Expenditures</b>	<b>2,415,104</b>	<b>971,939</b>	<b>314,260</b>	<b>3,701,303</b>
Excess (Deficiency) of Revenues Over Expenditures	(571,211)	0	(22,262)	(593,473)
<b>Other Financing Sources (Uses):</b>				
Capital Lease Issued	49,319	0	0	49,319
Issuance of Refunding Bond	0	0	1,300,000	1,300,000
Premium on Refunding Bonds	0	0	40,480	40,480
Payment to Refunding Bond Escrow Agent	0	0	(1,301,248)	(1,301,248)
Transfers In	788,460	0	0	788,460
<b>Total Other Financing Sources (Uses)</b>	<b>837,779</b>	<b>0</b>	<b>39,232</b>	<b>877,011</b>
Net Change in Fund Balance	266,568	0	16,970	283,538
<b>Fund Balances at Beginning of Year</b>	<b>913,064</b>	<b>9,675</b>	<b>134,241</b>	<b>1,056,980</b>
Increase in Inventory Reserve	2,066	0	0	2,066
<b>Fund Balances End of Year</b>	<b>\$ 1,181,698</b>	<b>\$ 9,675</b>	<b>\$ 151,211</b>	<b>\$ 1,342,584</b>

**CITY OF HEATH, OHIO**

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2012**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax	Fire Levy
<b>Assets:</b>						
Cash and Cash Equivalents	\$ 299,497	\$ 137,453	\$ 1,333	\$ 1,277	\$ 297,694	\$ 335,061
Receivables:						
Taxes	0	0	0	0	0	549,346
Intergovernmental	157,345	12,757	0	0	69,814	23,106
Inventory of Supplies, at Cost	80,285	0	0	2,232	0	0
Prepaid Items	2,897	0	0	2,529	0	1,191
Restricted Assets:						
Cash and Cash Equivalents with Fiscal Agent	0	0	61,117	0	0	0
<b>Total Assets</b>	<u>\$ 540,024</u>	<u>\$ 150,210</u>	<u>\$ 62,450</u>	<u>\$ 6,038</u>	<u>\$ 367,508</u>	<u>\$ 908,704</u>
<b>Liabilities:</b>						
Accounts Payable	\$ 11,667	\$ 569	\$ 0	\$ 211	\$ 0	\$ 3,565
Accrued Wages and Benefits Payable	15,598	0	0	4,362	0	33,590
<b>Total Liabilities</b>	<u>27,265</u>	<u>569</u>	<u>0</u>	<u>4,573</u>	<u>0</u>	<u>37,155</u>
<b>Deferred Inflows of Resources:</b>						
Unavailable Amounts	98,576	7,993	61,117	0	46,543	37,625
Property Tax Levy for Next Fiscal Year	0	0	0	0	0	534,827
<b>Total Deferred Inflows of Resources</b>	<u>98,576</u>	<u>7,993</u>	<u>61,117</u>	<u>0</u>	<u>46,543</u>	<u>572,452</u>
<b>Fund Balances:</b>						
Nonspendable	83,182	0	0	4,761	0	1,191
Restricted	331,001	141,648	1,333	0	320,965	297,906
Unassigned	0	0	0	(3,296)	0	0
<b>Total Fund Balances</b>	<u>414,183</u>	<u>141,648</u>	<u>1,333</u>	<u>1,465</u>	<u>320,965</u>	<u>299,097</u>
<b>Total Liabilities and Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 540,024</u>	<u>\$ 150,210</u>	<u>\$ 62,450</u>	<u>\$ 6,038</u>	<u>\$ 367,508</u>	<u>\$ 908,704</u>

**CITY OF HEATH, OHIO**

Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education	D.A.R.E.	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
\$ 993	\$ 4,096	\$ 29,453	\$ 1,876	\$ 16,916	\$ 4,025	\$ 82,251	\$ 1,211,925
82,662	82,662	0	0	0	0	0	714,670
3,469	3,469	0	0	150	0	0	270,110
0	0	0	0	0	0	0	82,517
0	0	0	0	0	0	0	6,617
0	0	0	0	0	0	0	61,117
<u>\$ 87,124</u>	<u>\$ 90,227</u>	<u>\$ 29,453</u>	<u>\$ 1,876</u>	<u>\$ 17,066</u>	<u>\$ 4,025</u>	<u>\$ 82,251</u>	<u>\$ 2,346,956</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,012
70,284	66,469	0	0	0	0	0	190,303
<u>70,284</u>	<u>66,469</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>206,315</u>
5,659	5,659	0	0	0	0	0	263,172
80,472	80,472	0	0	0	0	0	695,771
<u>86,131</u>	<u>86,131</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>958,943</u>
0	0	0	0	0	0	0	89,134
0	0	29,453	1,876	17,066	4,025	82,251	1,227,524
(69,291)	(62,373)	0	0	0	0	0	(134,960)
<u>(69,291)</u>	<u>(62,373)</u>	<u>29,453</u>	<u>1,876</u>	<u>17,066</u>	<u>4,025</u>	<u>82,251</u>	<u>1,181,698</u>
<u>\$ 87,124</u>	<u>\$ 90,227</u>	<u>\$ 29,453</u>	<u>\$ 1,876</u>	<u>\$ 17,066</u>	<u>\$ 4,025</u>	<u>\$ 82,251</u>	<u>\$ 2,346,956</u>

**CITY OF HEATH, OHIO**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2012**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool	Municipal Motor Vehicle License Tax	Fire Levy
<b>Revenues:</b>						
Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 474,472
Intergovernmental Revenues	426,299	30,945	22,000	0	149,724	46,212
Charges for Services	0	0	0	482,680	0	0
Investment Earnings	0	181	0	0	0	286
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenue	31	0	0	5,351	0	961
<b>Total Revenue</b>	<u>426,330</u>	<u>31,126</u>	<u>22,000</u>	<u>488,031</u>	<u>149,724</u>	<u>521,931</u>
<b>Expenditures:</b>						
Current:						
Security of Persons and Property	0	0	0	0	0	503,349
Leisure Time Activities	0	0	0	422,214	0	0
Transportation	694,488	9,124	20,667	0	0	0
Debt Service:						
Principal Retirement	9,037	0	0	105,000	0	0
Interest and Fiscal Charges	2,639	0	0	36,469	0	0
<b>Total Expenditures</b>	<u>706,164</u>	<u>9,124</u>	<u>20,667</u>	<u>563,683</u>	<u>0</u>	<u>503,349</u>
Excess (Deficiency) of Revenues Over Expenditures	(279,834)	22,002	1,333	(75,652)	149,724	18,582
<b>Other Financing Sources (Uses):</b>						
Capital Lease Issued	0	0	0	0	0	0
Transfers In	400,000	0	0	67,000	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>67,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	120,166	22,002	1,333	(8,652)	149,724	18,582
<b>Fund Balances at Beginning of Year</b>	292,527	119,646	0	9,541	171,241	280,515
Increase in Inventory Reserve	1,490	0	0	576	0	0
<b>Fund Balances End of Year</b>	<u>\$ 414,183</u>	<u>\$ 141,648</u>	<u>\$ 1,333</u>	<u>\$ 1,465</u>	<u>\$ 320,965</u>	<u>\$ 299,097</u>

**CITY OF HEATH, OHIO**

Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education	D.A.R.E.	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
\$ 71,374	\$ 71,375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 617,221
8,013	6,937	0	0	0	0	0	690,130
0	0	5,508	0	0	0	2,300	490,488
0	0	0	0	0	0	12	479
0	0	24,628	0	1,328	0	0	25,956
0	0	12,795	0	0	481	0	19,619
<u>79,387</u>	<u>78,312</u>	<u>42,931</u>	<u>0</u>	<u>1,328</u>	<u>481</u>	<u>2,312</u>	<u>1,843,893</u>
237,060	244,150	119,809	0	6,986	4,112	0	1,115,466
0	0	0	0	0	0	0	422,214
0	0	0	0	0	0	0	724,279
0	0	0	0	0	0	0	114,037
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,108</u>
<u>237,060</u>	<u>244,150</u>	<u>119,809</u>	<u>0</u>	<u>6,986</u>	<u>4,112</u>	<u>0</u>	<u>2,415,104</u>
(157,673)	(165,838)	(76,878)	0	(5,658)	(3,631)	2,312	(571,211)
0	0	49,319	0	0	0	0	49,319
<u>147,660</u>	<u>173,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>788,460</u>
<u>147,660</u>	<u>173,800</u>	<u>49,319</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>837,779</u>
(10,013)	7,962	(27,559)	0	(5,658)	(3,631)	2,312	266,568
(59,278)	(70,335)	57,012	1,876	22,724	7,656	79,939	913,064
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,066</u>
<u>\$ (69,291)</u>	<u>\$ (62,373)</u>	<u>\$ 29,453</u>	<u>\$ 1,876</u>	<u>\$ 17,066</u>	<u>\$ 4,025</u>	<u>\$ 82,251</u>	<u>\$ 1,181,698</u>

**CITY OF HEATH, OHIO**

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**Combining Balance Sheet  
Nonmajor Capital Projects Funds  
December 31, 2012**

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	Irvingwick Drive Improvement	Paving	Hopewell Drive Bridge	Total Nonmajor Capital Projects Funds
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 1,517	\$ 8,158	\$ 0	\$ 9,675
Receivables:				
Intergovernmental	0	0	2,939	2,939
<b>Total Assets</b>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 2,939</u>	<u>\$ 12,614</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 0	\$ 0	\$ 2,939	\$ 2,939
<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>2,939</u>	<u>2,939</u>
<b>Fund Balances:</b>				
Restricted	1,517	8,158	0	9,675
<b>Total Fund Balances</b>	<u>1,517</u>	<u>8,158</u>	<u>0</u>	<u>9,675</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 2,939</u>	<u>\$ 12,614</u>

**CITY OF HEATH, OHIO**

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Year Ended December 31, 2012**

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	Irvingwick Drive Improvement	Paving	Hopewell Drive Bridge	Total Nonmajor Capital Project Funds
<b>Revenues:</b>				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 971,939	\$ 971,939
<b>Total Revenue</b>	<u>0</u>	<u>0</u>	<u>971,939</u>	<u>971,939</u>
<b>Expenditures:</b>				
Current:				
Transportation	0	0	971,939	971,939
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>971,939</u>	<u>971,939</u>
Net Change in Fund Balance	0	0	0	0
<b>Fund Balances at Beginning of Year</b>	1,517	8,158	0	9,675
<b>Fund Balances End of Year</b>	<u>\$ 1,517</u>	<u>\$ 8,158</u>	<u>\$ 0</u>	<u>\$ 9,675</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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,494,764	\$ 5,494,764	\$ 5,509,584	\$ 14,820
Intergovernmental Revenues	622,861	622,861	639,007	16,146
Charges for Services	429,080	429,080	461,078	31,998
Licenses and Permits	29,000	29,000	40,331	11,331
Investment Earnings	125,050	125,050	131,224	6,174
Fines and Forfeitures	14,000	14,000	17,191	3,191
All Other Revenues	33,200	33,200	82,279	49,079
Total Revenues	<u>6,747,955</u>	<u>6,747,955</u>	<u>6,880,694</u>	<u>132,739</u>
<b>Expenditures:</b>				
Security of Persons and Property:				
Police:				
Personal Services	1,521,817	1,597,042	1,564,500	32,542
Materials and Supplies	62,600	84,500	77,189	7,311
Contractual Services	138,412	142,642	122,941	19,701
Capital Outlay	2,000	2,000	1,461	539
Total Police	<u>1,724,829</u>	<u>1,826,184</u>	<u>1,766,091</u>	<u>60,093</u>
Communications:				
Personal Services	529,630	535,630	524,551	11,079
Contractual Services	48,134	48,134	47,827	307
Total Communications	<u>577,764</u>	<u>583,764</u>	<u>572,378</u>	<u>11,386</u>
Fire:				
Personal Services	1,166,393	1,276,393	1,234,813	41,580
Materials and Supplies	100,925	101,225	95,688	5,537
Contractual Services	137,527	137,527	128,796	8,731
Capital Outlay	4,000	4,000	0	4,000
Total Fire	<u>1,408,845</u>	<u>1,519,145</u>	<u>1,459,297</u>	<u>59,848</u>
Street Lighting:				
Contractual Services	90,000	109,150	109,138	12
Total Street Lighting	<u>90,000</u>	<u>109,150</u>	<u>109,138</u>	<u>12</u>
Total Security of Persons and Property	<u>3,801,438</u>	<u>4,038,243</u>	<u>3,906,904</u>	<u>131,339</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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	56,500	56,500	56,500	0
Total Public Health and Welfare Services	<u>56,500</u>	<u>56,500</u>	<u>56,500</u>	<u>0</u>
Leisure Time Activities:				
Parks:				
Personal Services	453,005	453,005	436,118	16,887
Materials and Supplies	51,300	51,300	36,325	14,975
Contractual Services	188,987	196,259	163,581	32,678
Other Expenditures	500	500	95	405
Capital Outlay	31,528	31,528	13,559	17,969
Total Leisure Time Activities	<u>725,320</u>	<u>732,592</u>	<u>649,678</u>	<u>82,914</u>
Community Environment:				
Planning and Zoning:				
Personal Services	163,690	163,690	162,700	990
Materials and Supplies	3,900	3,900	3,150	750
Contractual Services	126,611	196,611	179,272	17,339
Total Community Environment	<u>294,201</u>	<u>364,201</u>	<u>345,122</u>	<u>19,079</u>
General Government:				
Mayor:				
Personal Services	94,006	94,006	93,822	184
Materials and Supplies	1,200	1,200	540	660
Contractual Services	19,200	19,200	11,318	7,882
Capital Outlay	750	750	0	750
Total Mayor	<u>115,156</u>	<u>115,156</u>	<u>105,680</u>	<u>9,476</u>
City Council:				
Personal Services	37,800	37,800	37,800	0
Materials and Supplies	200	200	71	129
Contractual Services	1,200	1,200	42	1,158
Total City Council	<u>39,200</u>	<u>39,200</u>	<u>37,913</u>	<u>1,287</u>

(Continued)

**CITY OF HEATH, OHIO**

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***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, 2012***

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	107,160	107,160	99,861	7,299
Contractual Services	56,655	56,655	50,736	5,919
Total Law Director	<u>163,815</u>	<u>163,815</u>	<u>150,597</u>	<u>13,218</u>
Clerk of Council:				
Personal Services	43,960	43,960	43,307	653
Materials and Supplies	300	300	84	216
Total Clerk of Council	<u>44,260</u>	<u>44,260</u>	<u>43,391</u>	<u>869</u>
Auditor:				
Personal Services	56,100	56,100	52,700	3,400
Materials and Supplies	390	390	105	285
Contractual Services	1,120	1,120	997	123
Total Auditor	<u>57,610</u>	<u>57,610</u>	<u>53,802</u>	<u>3,808</u>
General Administrative:				
Personal Services	299,555	329,555	319,298	10,257
Materials and Supplies	5,400	6,400	6,400	0
Contractual Services	251,989	253,489	235,446	18,043
Other Expenditures	3,460	3,460	3,459	1
Capital Outlay	2,000	2,000	2,000	0
Total General Administrative	<u>562,404</u>	<u>594,904</u>	<u>566,603</u>	<u>28,301</u>
Court Fees:				
Contractual Services	14,100	14,100	12,524	1,576
Total Court Fees	<u>14,100</u>	<u>14,100</u>	<u>12,524</u>	<u>1,576</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, 2012***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Civil Service:				
Contractual Services	15,500	15,500	10,641	4,859
Total Civil Service	<u>15,500</u>	<u>15,500</u>	<u>10,641</u>	<u>4,859</u>
Safety/Service:				
Personal Services	32,551	32,551	29,744	2,807
Materials and Supplies	9,206	9,206	6,341	2,865
Contractual Services	63,061	68,061	62,254	5,807
Total Safety/Service	<u>104,818</u>	<u>109,818</u>	<u>98,339</u>	<u>11,479</u>
Income Tax:				
Personal Services	245,845	245,845	232,317	13,528
Materials and Supplies	4,200	4,200	1,546	2,654
Contractual Services	35,179	35,179	29,851	5,328
Capital Outlay	2,000	2,000	2,000	0
Total Income Tax	<u>287,224</u>	<u>287,224</u>	<u>265,714</u>	<u>21,510</u>
Total General Government	<u>1,404,087</u>	<u>1,441,587</u>	<u>1,345,204</u>	<u>96,383</u>
Total Expenditures	<u>6,281,546</u>	<u>6,633,123</u>	<u>6,303,408</u>	<u>329,715</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	466,409	114,832	577,286	462,454
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(688,260)	(806,460)	(806,460)	0
Total Other Financing Sources (Uses)	<u>(688,260)</u>	<u>(806,460)</u>	<u>(806,460)</u>	<u>0</u>
Net Change in Fund Balance	(221,851)	(691,628)	(229,174)	462,454
Fund Balance at Beginning of Year	2,815,684	2,815,684	2,815,684	0
Prior Year Encumbrances	51,356	51,356	51,356	0
Fund Balance at End of Year	<u>\$ 2,645,189</u>	<u>\$ 2,175,412</u>	<u>\$ 2,637,866</u>	<u>\$ 462,454</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, 2012**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 167,000	\$ 167,113	\$ 113
Intergovernmental Revenues	300,103	2,123,603	1,823,500
All Other Revenues	15,430	18,572	3,142
Total Revenues	<u>482,533</u>	<u>2,309,288</u>	<u>1,826,755</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Capital Outlay	1,474	1,474	0
Total Security of Persons and Property	<u>1,474</u>	<u>1,474</u>	<u>0</u>
Leisure Time Activities:			
Parks:			
Capital Outlay	71,500	67,202	4,298
Total Parks	<u>71,500</u>	<u>67,202</u>	<u>4,298</u>
Swimming Pool:			
Contractual Services	2,750	2,750	0
Capital Outlay	50,252	49,477	775
Total Swimming Pool	<u>53,002</u>	<u>52,227</u>	<u>775</u>
Total Leisure Time Activities	<u>124,502</u>	<u>119,429</u>	<u>5,073</u>
Transportation:			
Streets Department:			
Contractual Services	83,406	82,303	1,103
Capital Outlay	2,112,696	2,112,696	0
Total Transportation	<u>2,196,102</u>	<u>2,194,999</u>	<u>1,103</u>
Total Expenditures	<u>2,322,078</u>	<u>2,315,902</u>	<u>6,176</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,839,545)	(6,614)	1,832,931
Fund Balance at Beginning of Year	1,797,329	1,797,329	0
Prior Year Encumbrances	42,216	42,216	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 1,832,931</u>	<u>\$ 1,832,931</u>

**CITY OF HEATH, OHIO**

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***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, 2012***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 405,000	\$ 424,648	\$ 19,648
All Other Revenues	0	31	31
Total Revenues	<u>405,000</u>	<u>424,679</u>	<u>19,679</u>
<b>Expenditures:</b>			
Transportation:			
Street Department:			
Personal Services	515,030	489,708	25,322
Materials and Supplies	195,650	137,754	57,896
Contractual Services	118,920	75,482	43,438
Capital Outlay	24,000	10,116	13,884
Total Expenditures	<u>853,600</u>	<u>713,060</u>	<u>140,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(448,600)	(288,381)	160,219
<b>Other Financing Sources (Uses):</b>			
Transfers In	400,000	400,000	0
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>400,000</u>	<u>0</u>
Net Change in Fund Balance	(48,600)	111,619	160,219
Fund Balance at Beginning of Year	181,659	181,659	0
Prior Year Encumbrances	2,251	2,251	0
Fund Balance at End of Year	<u>\$ 135,310</u>	<u>\$ 295,529</u>	<u>\$ 160,219</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 32,800	\$ 34,431	\$ 1,631
Investment Earnings	0	181	181
Total Revenues	<u>32,800</u>	<u>34,612</u>	<u>1,812</u>
<b>Expenditures:</b>			
Transportation:			
Street Department:			
Materials and Supplies	41,500	0	41,500
Contractual Services	<u>12,000</u>	<u>10,000</u>	<u>2,000</u>
Total Expenditures	<u>53,500</u>	<u>10,000</u>	<u>43,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,700)	24,612	45,312
Fund Balance at Beginning of Year	<u>112,841</u>	<u>112,841</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 92,141</u>	<u>\$ 137,453</u>	<u>\$ 45,312</u>

**CITY OF HEATH, OHIO**

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***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, 2012***

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**COUNTY \$5 PERMISSIVE LICENSE TAX FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 22,000	\$ 22,000	\$ 0
Total Revenues	<u>22,000</u>	<u>22,000</u>	<u>0</u>
<b>Expenditures:</b>			
Transportation:			
Street Department:			
Capital Outlay	22,000	20,667	1,333
Total Expenditures	<u>22,000</u>	<u>20,667</u>	<u>1,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	1,333	1,333
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 1,333</u>	<u>\$ 1,333</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>SWIMMING POOL FUND</b>			
<b>Revenues:</b>			
Charges for Services	\$ 482,410	\$ 482,680	\$ 270
All Other Revenues	5,350	5,351	1
Total Revenues	<u>487,760</u>	<u>488,031</u>	<u>271</u>
<b>Expenditures:</b>			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	268,937	268,932	5
Materials and Supplies	62,876	62,801	75
Contractual Services	85,051	84,673	378
Capital Outlay	6,000	5,537	463
Total Leisure Time Activities	<u>422,864</u>	<u>421,943</u>	<u>921</u>
Debt Service:			
Principal Retirement	105,000	105,000	0
Interest and Fiscal Charges	36,469	36,469	0
Total Expenditures	<u>564,333</u>	<u>563,412</u>	<u>921</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(76,573)	(75,381)	1,192
<b>Other Financing Sources (Uses):</b>			
Transfers In	67,000	67,000	0
Total Other Financing Sources (Uses)	<u>67,000</u>	<u>67,000</u>	<u>0</u>
Net Change in Fund Balance	(9,573)	(8,381)	1,192
Fund Balance at Beginning of Year	2,600	2,600	0
Prior Year Encumbrances	7,052	7,052	0
Fund Balance at End of Year	<u>\$ 79</u>	<u>\$ 1,271</u>	<u>\$ 1,192</u>

**CITY OF HEATH, OHIO**

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***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, 2012***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 149,400	\$ 149,408	\$ 8
Total Revenues	<u>149,400</u>	<u>149,408</u>	<u>8</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	149,400	149,408	8
Fund Balance at Beginning of Year	<u>148,286</u>	<u>148,286</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 297,686</u>	<u>\$ 297,694</u>	<u>\$ 8</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>FIRE LEVY FUND</b>			
<b>Revenues:</b>			
Taxes	\$ 474,470	\$ 474,472	\$ 2
Intergovernmental Revenues	46,203	46,212	9
Investment Earnings	285	286	1
All Other Revenues	10	11	1
Total Revenues	<u>520,968</u>	<u>520,981</u>	<u>13</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Fire:			
Personal Services	458,762	448,238	10,524
Materials and Supplies	1,874	1,714	160
Contractual Services	16,716	15,786	930
Capital Outlay	60,036	57,059	2,977
Total Expenditures	<u>537,388</u>	<u>522,797</u>	<u>14,591</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,420)	(1,816)	14,604
<b>Other Financing Sources (Uses):</b>			
Proceeds from the Sale of Capital Assets	910	950	40
Total Other Financing Sources (Uses)	<u>910</u>	<u>950</u>	<u>40</u>
Net Change in Fund Balance	(15,510)	(866)	14,644
Fund Balance at Beginning of Year	316,742	316,742	0
Prior Year Encumbrances	11,224	11,224	0
Fund Balance at End of Year	<u>\$ 312,456</u>	<u>\$ 327,100</u>	<u>\$ 14,644</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 71,374	\$ 71,374	\$ 0
Intergovernmental Revenues	8,013	8,013	0
Total Revenues	<u>79,387</u>	<u>79,387</u>	<u>0</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Fire:			
Personal Services	228,400	228,314	86
Contractual Services	2,050	1,164	886
Total Expenditures	<u>230,450</u>	<u>229,478</u>	<u>972</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(151,063)	(150,091)	972
<b>Other Financing Sources (Uses):</b>			
Transfers In	147,660	147,660	0
Total Other Financing Sources (Uses)	<u>147,660</u>	<u>147,660</u>	<u>0</u>
Net Change in Fund Balance	(3,403)	(2,431)	972
Fund Balance at Beginning of Year	3,424	3,424	0
Fund Balance at End of Year	<u>\$ 21</u>	<u>\$ 993</u>	<u>\$ 972</u>

**CITY OF HEATH, OHIO**

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***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, 2012***

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 71,374	\$ 71,375	\$ 1
Intergovernmental Revenues	6,937	6,937	0
Total Revenues	<u>78,311</u>	<u>78,312</u>	<u>1</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Personal Services	251,740	251,652	88
Contractual Services	2,050	1,164	886
Total Expenditures	<u>253,790</u>	<u>252,816</u>	<u>974</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(175,479)	(174,504)	975
<b>Other Financing Sources (Uses):</b>			
Transfers In	173,800	173,800	0
Total Other Financing Sources (Uses)	<u>173,800</u>	<u>173,800</u>	<u>0</u>
Net Change in Fund Balance	(1,679)	(704)	975
Fund Balance at Beginning of Year	4,800	4,800	0
Fund Balance at End of Year	<u>\$ 3,121</u>	<u>\$ 4,096</u>	<u>\$ 975</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, 2012**

<b>LAW ENFORCEMENT TRUST FUND</b>			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for Services	\$ 5,700	\$ 5,508	\$ (192)
Fines and Forfeitures	25,450	24,628	(822)
All Other Revenues	11,850	12,795	945
Total Revenues	<u>43,000</u>	<u>42,931</u>	<u>(69)</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Materials and Supplies	15,135	12,606	2,529
Contractual Services	43,645	38,414	5,231
Other Expenditures	500	0	500
Capital Outlay	90,619	79,319	11,300
Total Expenditures	<u>149,899</u>	<u>130,339</u>	<u>19,560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,899)	(87,408)	19,491
<b>Other Financing Sources (Uses):</b>			
Capital Lease Issued	0	49,319	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>49,319</u>	<u>0</u>
Net Change in Fund Balance	(106,899)	(38,089)	19,491
Fund Balance at Beginning of Year	56,447	56,447	0
Prior Year Encumbrances	1,205	1,205	0
Fund Balance at End of Year	<u>\$ (49,247)</u>	<u>\$ 19,563</u>	<u>\$ 19,491</u>

**CITY OF HEATH, OHIO**

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***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, 2012***

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**POLICE PROFESSIONAL TRAINING FUND**

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

**CITY OF HEATH, OHIO**

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**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, 2012**

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**ENFORCEMENT AND EDUCATION FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Fines and Forfeitures	\$ 1,263	\$ 1,263	\$ 0
Total Revenues	<u>1,263</u>	<u>1,263</u>	<u>0</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Materials and Supplies	<u>7,500</u>	<u>6,986</u>	<u>514</u>
Total Expenditures	<u>7,500</u>	<u>6,986</u>	<u>514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,237)	(5,723)	514
Fund Balance at Beginning of Year	<u>22,639</u>	<u>22,639</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 16,402</u>	<u>\$ 16,916</u>	<u>\$ 514</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

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	<b>D.A.R.E. FUND</b>		
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
All Other Revenues	\$ 480	\$ 481	\$ 1
Total Revenues	<u>480</u>	<u>481</u>	<u>1</u>
<b>Expenditures:</b>			
Security of Persons and Property:			
Police:			
Materials and Supplies	3,000	2,512	488
Contractual Services	<u>1,600</u>	<u>1,600</u>	<u>0</u>
Total Expenditures	<u>4,600</u>	<u>4,112</u>	<u>488</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,120)	(3,631)	489
Fund Balance at Beginning of Year	<u>7,656</u>	<u>7,656</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,536</u>	<u>\$ 4,025</u>	<u>\$ 489</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for Services	\$ 2,300	\$ 2,300	\$ 0
Investment Earnings	0	12	12
Total Revenues	<u>2,300</u>	<u>2,312</u>	<u>12</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,300	2,312	12
Fund Balance at Beginning of Year	79,939	79,939	0
Fund Balance at End of Year	<u>\$ 82,239</u>	<u>\$ 82,251</u>	<u>\$ 12</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 287,238	\$ 292,448	\$ 5,210
Total Revenues	<u>287,238</u>	<u>292,448</u>	<u>5,210</u>
<b>Expenditures:</b>			
Debt Service:			
Principal Retirement	230,000	230,000	0
Interest and Fiscal Charges	<u>98,001</u>	<u>84,260</u>	<u>13,741</u>
Total Expenditures	<u>328,001</u>	<u>314,260</u>	<u>13,741</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,763)	(21,812)	18,951
<b>Other Financing Sources (Uses):</b>			
Refunding Bonds Issued	1,300,000	1,300,000	0
Premium on Refunding Bonds	40,000	40,480	480
Payment to Refunded Bond Escrow Agent	<u>(1,301,248)</u>	<u>(1,301,248)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>38,752</u>	<u>39,232</u>	<u>480</u>
Net Change in Fund Balance	(2,011)	17,420	19,431
Fund Balance at Beginning of Year	<u>103,343</u>	<u>103,343</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 101,332</u>	<u>\$ 120,763</u>	<u>\$ 19,431</u>

**CITY OF HEATH, OHIO**

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***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, 2012***

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**IRVING WICK DRIVE IMPROVEMENT FUND**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>1,517</u>	<u>1,517</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,517</u>	<u>\$ 1,517</u>	<u>\$ 0</u>

**CITY OF HEATH, OHIO**

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***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, 2012***

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	PAVING FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Expenditures:</b>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>8,158</u>	<u>8,158</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 8,158</u>	<u>\$ 8,158</u>	<u>\$ 0</u>

**CITY OF HEATH, OHIO**

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**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, 2012**

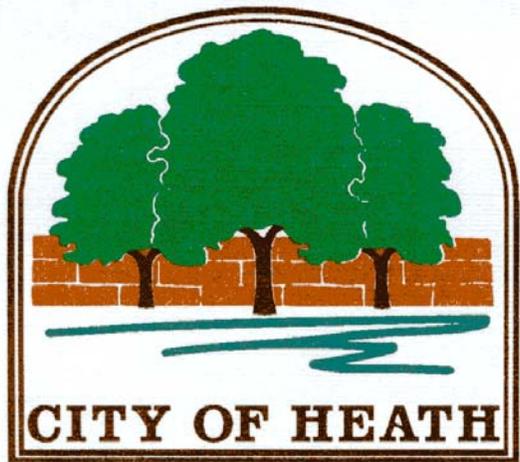
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	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental Revenues	\$ 1,001,457	\$ 969,000	\$ (32,457)
Total Revenues	<u>1,001,457</u>	<u>969,000</u>	<u>(32,457)</u>
<b>Expenditures:</b>			
Transportation:			
Streets Department:			
Capital Outlay	1,001,457	969,000	32,457
Total Expenditures	<u>1,001,457</u>	<u>969,000</u>	<u>32,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

# *STATISTICAL SECTION*

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## ***STATISTICAL TABLES***

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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***

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<b>Financial Trends</b>	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
<b>Revenue Capacity</b>	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue source, the income tax.	
<b>Debt Capacity</b>	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.	
<b>Economic and Demographic Information</b>	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.	
<b>Operating Information</b>	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.	
<b>Sources Note:</b>	
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 Position by Component  
Last Ten Years  
(accrual basis of accounting)*

	2003	2004	2005	2006
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$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 Position	<u>\$20,495,819</u>	<u>\$22,877,679</u>	<u>\$22,297,366</u>	<u>\$24,481,299</u>
<b>Business-type Activities:</b>				
Net Investment in Capital Assets	\$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 Position	<u>\$13,520,212</u>	<u>\$13,631,345</u>	<u>\$14,201,667</u>	<u>\$14,869,773</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$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 Position	<u>\$34,016,031</u>	<u>\$36,509,024</u>	<u>\$36,499,033</u>	<u>\$39,351,072</u>

Source: City Auditor's Office

\* 2008 Business-type Activities were restated

\* 2010 Governmental Activities were restated

*City of Heath*

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2007	2008	2009	2010	2011	2012
			*		
\$23,589,938	\$22,695,332	\$24,757,330	\$26,920,239	\$29,909,342	\$31,800,652
3,693,753	4,153,096	4,440,662	4,052,345	3,049,296	3,354,720
3,427,382	2,601,396	3,344,138	2,584,668	3,096,541	2,886,273
<u>\$30,711,073</u>	<u>\$29,449,824</u>	<u>\$32,542,130</u>	<u>\$33,557,252</u>	<u>\$36,055,179</u>	<u>\$38,041,645</u>
	*				
\$11,369,769	\$11,437,704	\$11,511,143	\$11,458,893	\$12,254,042	\$13,030,295
3,585,259	3,966,942	3,955,176	5,016,822	4,716,959	5,429,089
<u>\$14,955,028</u>	<u>\$15,404,646</u>	<u>\$15,466,319</u>	<u>\$16,475,715</u>	<u>\$16,971,001</u>	<u>\$18,459,384</u>
\$34,959,707	\$34,133,036	\$36,268,473	\$38,379,132	\$42,163,384	\$44,830,947
3,693,753	4,153,096	4,440,662	4,052,345	3,049,296	3,354,720
7,012,641	6,568,338	7,299,314	7,601,490	7,813,500	8,315,362
<u>\$45,666,101</u>	<u>\$44,854,470</u>	<u>\$48,008,449</u>	<u>\$50,032,967</u>	<u>\$53,026,180</u>	<u>\$56,501,029</u>

## City of Heath

### Changes in Net Position Last Ten Years (accrual basis of accounting)

	2003	2004	2005	2006
<b>Expenses</b>				
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>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$50,839	\$60,280	\$101,573	\$97,499
Leisure Time Activities	649,573	595,849	713,325	714,341
Community Environment	21,265	32,401	33,563	25,829
Basic Utility Services	12,182	12,027	0	0
Transportation	25,725	11,377	120,282	16,573
General Government	0	2,351	6,899	0
Operating Grants and Contributions	424,147	537,300	605,977	522,557
Capital Grants and Contributions	341,305	2,243,026	153,096	2,023,759
<i>Total Governmental Activities Program Revenues</i>	<u>1,525,036</u>	<u>3,494,611</u>	<u>1,734,715</u>	<u>3,400,558</u>

*City of Heath*

2007	2008	2009	2010	2011	2012
\$4,412,475	\$5,033,962	\$4,799,533	\$4,950,795	\$4,910,998	\$5,152,842
55,000	55,500	55,500	55,500	56,000	56,500
1,165,587	1,553,376	1,389,421	1,324,421	1,458,652	1,345,282
116,430	248,044	296,573	249,028	326,445	279,054
48,759	12,585	0	399,949	252,530	0
1,611,106	1,716,140	1,698,702	1,692,428	1,387,741	2,359,144
1,480,358	1,862,217	1,863,206	1,482,172	1,423,316	1,345,507
211,364	201,466	213,056	158,538	238,230	86,813
<u>9,101,079</u>	<u>10,683,290</u>	<u>10,315,991</u>	<u>10,312,831</u>	<u>10,053,912</u>	<u>10,625,142</u>
1,572,649	1,499,924	1,535,122	1,541,351	1,588,324	1,653,612
1,994,356	1,992,845	2,145,932	1,928,841	2,094,078	1,910,598
<u>3,567,005</u>	<u>3,492,769</u>	<u>3,681,054</u>	<u>3,470,192</u>	<u>3,682,402</u>	<u>3,564,210</u>
<u>\$12,668,084</u>	<u>\$14,176,059</u>	<u>\$13,997,045</u>	<u>\$13,783,023</u>	<u>\$13,736,314</u>	<u>\$14,189,352</u>
\$414,707	\$427,535	\$2,017,435	\$471,415	\$431,382	\$496,150
681,222	637,733	527,712	558,966	520,995	511,839
52,913	22,902	24,464	35,658	20,355	34,921
4,592	107	0	5,256	5,136	0
18,538	6,377	80,750	4,383	8,981	17,804
2,119	8,950	12,075	15,220	11,890	12,422
641,109	593,995	677,664	641,344	667,962	618,558
5,408,548	24,050	2,825,769	1,596,123	3,306,967	3,563,796
<u>7,223,748</u>	<u>1,721,649</u>	<u>6,165,869</u>	<u>3,328,365</u>	<u>4,973,668</u>	<u>5,255,490</u>

(continued)

## City of Heath

### Changes in Net Position Last Ten Years (accrual basis of accounting)

	2003	2004	2005	2006
<b>Business-type Activities:</b>				
<b>Charges for Services</b>				
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
<b>Net (Expense)/Revenue</b>				
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)
<b>General Revenues and Other Changes in Net Position</b>				
<b>Governmental Activities:</b>				
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
<b>Business-type Activities:</b>				
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
<b>Change in Net Position</b>				
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 Position</i>	(\$1,498,994)	\$2,492,993	\$60,269	\$2,852,039

Source: City Auditor's Office

*City of Heath*

2007	2008	2009	2010	2011	2012
1,409,782	1,505,580	1,495,259	1,619,913	1,794,547	1,989,091
2,340,830	2,319,071	2,212,708	2,281,012	2,111,192	2,022,158
74,101	124,099	0	563,705	252,530	1,018,846
<u>3,824,713</u>	<u>3,948,750</u>	<u>3,707,967</u>	<u>4,464,630</u>	<u>4,158,269</u>	<u>5,030,095</u>
<u>11,048,461</u>	<u>5,670,399</u>	<u>9,873,836</u>	<u>7,792,995</u>	<u>9,131,937</u>	<u>10,285,585</u>
(1,877,331)	(8,961,641)	(4,150,122)	(6,984,466)	(5,080,244)	(5,369,652)
257,708	455,981	26,913	994,438	475,867	1,465,885
<u>(\$1,619,623)</u>	<u>(\$8,505,660)</u>	<u>(\$4,123,209)</u>	<u>(\$5,990,028)</u>	<u>(\$4,604,377)</u>	<u>(\$3,903,767)</u>
\$1,328,913	\$1,201,564	\$1,187,092	\$1,183,579	\$1,174,167	\$1,160,354
5,117,840	5,144,879	4,970,988	4,888,977	5,278,585	5,411,079
12,834	12,203	10,671	10,098	10,388	9,793
845,213	945,401	835,972	947,666	814,944	566,595
545,309	339,715	173,836	160,386	82,186	126,018
41,546	57,959	87,516	73,618	217,901	82,279
215,450	(1,329)	(23,647)	0	0	0
<u>8,107,105</u>	<u>7,700,392</u>	<u>7,242,428</u>	<u>7,264,324</u>	<u>7,578,171</u>	<u>7,356,118</u>
42,997	94,826	11,113	14,958	19,419	22,498
(215,450)	1,329	23,647	0	0	0
<u>(172,453)</u>	<u>96,155</u>	<u>34,760</u>	<u>14,958</u>	<u>19,419</u>	<u>22,498</u>
<u>\$7,934,652</u>	<u>\$7,796,547</u>	<u>\$7,277,188</u>	<u>\$7,279,282</u>	<u>\$7,597,590</u>	<u>\$7,378,616</u>
\$6,229,774	(\$1,261,249)	\$3,092,306	\$279,858	\$2,497,927	\$1,986,466
85,255	552,136	61,673	1,009,396	495,286	1,488,383
<u>\$6,315,029</u>	<u>(\$709,113)</u>	<u>\$3,153,979</u>	<u>\$1,289,254</u>	<u>\$2,993,213</u>	<u>\$3,474,849</u>

## *City of Heath*

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Nonspendable	\$0	\$0	\$0	\$0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Reserved	139,559	120,024	150,353	190,870
Unreserved	<u>2,459,362</u>	<u>2,563,881</u>	<u>2,538,481</u>	<u>3,043,064</u>
<i>Total General Fund</i>	<u>2,598,921</u>	<u>2,683,905</u>	<u>2,688,834</u>	<u>3,233,934</u>
All Other Governmental Funds				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Committed	0	0	0	0
Unassigned	0	0	0	0
Reserved	1,870,715	1,295,931	877,324	683,026
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	527,463	486,555	404,562	698,812
Capital Projects Funds	1,197,020	1,934,190	1,959,028	1,789,751
Permanent Fund	<u>87,747</u>	<u>91,049</u>	<u>74,021</u>	<u>80,374</u>
<i>Total All Other Governmental Funds</i>	<u>3,682,945</u>	<u>3,807,725</u>	<u>3,314,935</u>	<u>3,251,963</u>
<i>Total Governmental Funds</i>	<u><u>\$6,281,866</u></u>	<u><u>\$6,491,630</u></u>	<u><u>\$6,003,769</u></u>	<u><u>\$6,485,897</u></u>

Source: City Auditor's Office

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

Note: The City implemented GASB 54 in 2011 which established new fund balance classifications for governmental funds.

*City of Heath*

2007	2008	2009	2010	2011	2012
\$0	\$0	\$0	\$0	\$108,830	\$79,556
0	0	0	0	42,354	483,099
0	0	0	0	3,363,560	2,730,440
304,325	229,436	1,366,672	1,223,828	0	0
3,405,304	2,701,779	2,408,783	2,533,280	0	0
<u>3,709,629</u>	<u>2,931,215</u>	<u>3,775,455</u>	<u>3,757,108</u>	<u>3,514,744</u>	<u>3,293,095</u>
0	0	0	0	87,846	89,134
0	0	0	0	959,738	1,237,199
0	0	0	0	1,981,100	2,004,556
0	0	0	0	(129,613)	(134,960)
884,924	519,403	412,014	323,587	0	0
644,659	829,632	807,272	826,636	0	0
1,931,812	2,652,964	3,070,331	2,123,013	0	0
86,791	91,485	83,268 *	0	0	0
<u>3,548,186</u>	<u>4,093,484</u>	<u>4,372,885</u>	<u>3,273,236</u>	<u>2,899,071</u>	<u>3,195,929</u>
<u>\$7,257,815</u>	<u>\$7,024,699</u>	<u>\$8,148,340</u>	<u>\$7,030,344</u>	<u>\$6,413,815</u>	<u>\$6,489,024</u>

# City of Heath

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

	2003	2004	2005	2006
<b>Revenues:</b>				
Taxes	\$5,990,306	\$5,968,715	\$6,103,117	\$6,765,736
Intergovernmental Revenues	1,336,400	1,910,803	1,294,553	1,558,369
Charges for Services	654,828	599,002	706,904	683,875
Licenses and Permits	23,933	34,775	46,232	76,891
Investment Earnings	123,662	86,929	161,518	320,207
Fines and Forfeitures	36,068	38,588	34,812	41,611
All Other Revenue	69,742	82,124	266,653	115,424
<b>Total Revenue</b>	<b>8,234,939</b>	<b>8,720,936</b>	<b>8,613,789</b>	<b>9,562,113</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	4,069,038	3,873,095	4,473,935	4,340,627
Public Health and Welfare Services	52,500	52,500	52,500	54,000
Leisure Time Activities	1,475,797	1,185,345	1,119,728	1,588,478
Community Environment	255,327	256,397	261,315	277,529
Basic Utility Services	568,416	204,435	0	0
Transportation	2,667,651	1,324,269	1,267,352	1,187,069
General Government	1,212,168	1,253,721	1,260,752	1,274,127
Debt Service:				
Principal Retirement	377,928	450,236	436,960	251,721
Interest and Fiscal Charges	234,518	255,283	237,609	221,879
<b>Total Expenditures</b>	<b>10,913,343</b>	<b>8,855,281</b>	<b>9,110,151</b>	<b>9,195,430</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,678,404)	(134,345)	(496,362)	366,683

*City of Heath*

2007	2008	2009	2010	2011	2012
\$6,511,364	\$6,372,485	\$6,129,963	\$6,076,179	\$6,484,185	\$6,577,781
2,019,146	1,690,485	1,836,354	1,813,302	1,564,668	4,810,389
951,735	985,547	872,267	921,061	896,001	951,566
59,600	29,849	28,382	40,464	24,697	40,331
599,005	348,790	173,836	160,386	82,186	126,018
52,689	51,154	1,660,638	91,921	39,504	43,048
151,613	95,013	188,665	111,070	256,438	120,470
<u>10,345,152</u>	<u>9,573,323</u>	<u>10,890,105</u>	<u>9,214,383</u>	<u>9,347,679</u>	<u>12,669,603</u>
4,679,467	4,895,866	4,564,283	4,832,359	4,949,955	5,006,695
55,000	55,500	55,500	55,500	56,000	56,500
1,537,158	1,316,678	1,218,719	1,388,567	1,291,498	1,158,961
286,914	257,489	296,209	248,970	322,269	274,696
48,759	12,585	0	399,949	252,530	0
1,304,268	1,259,204	1,301,307	1,505,871	1,382,405	4,341,346
1,434,312	1,568,514	1,784,830	1,440,850	1,360,970	1,334,738
254,165	262,600	283,344	299,111	322,047	344,037
212,555	202,775	199,411	159,796	164,084	123,368
<u>9,812,598</u>	<u>9,831,211</u>	<u>9,703,603</u>	<u>10,330,973</u>	<u>10,101,758</u>	<u>12,640,341</u>
532,554	(257,888)	1,186,502	(1,116,590)	(754,079)	29,262

(Continued)

## *City of Heath*

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

	2003	2004	2005	2006
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	33,871	0	0	0
Capital Leases Issued	0	0	0	89,348
General Obligation Bonds Issued	2,035,000	0	0	0
Refunding Bonds Issued	0	0	0	0
Premium on Refunding Bonds Issued	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Transfers In	1,784,791	1,539,018	1,310,436	625,678
Transfers Out	(1,784,791)	(1,177,356)	(1,277,270)	(625,678)
<b>Total Other Financing Sources (Uses)</b>	<u>2,068,871</u>	<u>361,662</u>	<u>33,166</u>	<u>89,348</u>
<b>Net Change in Fund Balance</b>	<u>(\$609,533)</u>	<u>\$227,317</u>	<u>(\$463,196)</u>	<u>\$456,031</u>
 <b>Debt Service as a Percentage of Noncapital Expenditures</b>	 6.30%	 12.18%	 8.02%	 7.29%

Source: City Auditor's Office

*City of Heath*

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2007	2008	2009	2010	2011	2012
0	0	0	0	0	0
0	0	0	0	61,655	49,319
0	0	0	0	0	0
0	0	1,195,000	0	1,325,000	1,300,000
0	0	11,337	0	7,861	40,480
0	0	(1,178,173)	0	(1,283,255)	(1,301,248)
920,187	1,321,249	511,534	684,767	1,223,023	788,460
(704,737)	(1,322,578)	(535,181)	(684,767)	(1,223,023)	(806,460)
<u>215,450</u>	<u>(1,329)</u>	<u>4,517</u>	<u>0</u>	<u>111,261</u>	<u>70,551</u>
<u>\$748,004</u>	<u>(\$259,217)</u>	<u>\$1,191,019</u>	<u>(\$1,116,590)</u>	<u>(\$642,818)</u>	<u>\$99,813</u>
22.30%	4.91%	7.23%	5.76%	7.94%	4.68%

## *City of Heath*

### *Income Tax Revenues by Source, Governmental Funds Last Ten Years*

<b>Tax year</b>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Estimated Personal Income (in thousands)	\$240,862	\$253,124	\$258,803	\$284,358
Total Tax Collected	\$4,950,955	\$4,806,164	\$5,004,128	\$5,430,307
Income Tax Receipts				
Withholding	3,912,690	3,940,162	4,072,849	4,154,215
Percentage	79.03%	81.99%	81.39%	76.50%
Corporate	661,068	506,273	569,139	913,764
Percentage	13.35%	10.53%	11.37%	16.83%
Individuals	377,197	359,729	362,140	362,328
Percentage	7.62%	7.48%	7.24%	6.67%

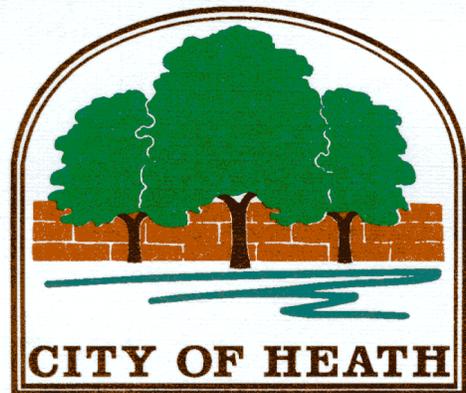
Source: City Income Tax Department

*City of Heath*

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2007	2008	2009	2010	2011	2012
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$297,115	\$303,766	\$305,863	\$357,458	\$386,532	\$386,532
\$5,372,699	\$5,292,914	\$5,082,838	\$5,016,826	\$5,448,282	\$5,568,605
4,236,786	4,362,702	4,158,728	4,251,397	4,366,508	4,490,301
78.86%	82.42%	81.82%	84.74%	80.15%	80.64%
760,337	580,904	593,661	433,893	715,508	714,709
14.15%	10.98%	11.68%	8.65%	13.13%	12.83%
375,576	349,308	330,449	331,536	366,266	363,595
6.99%	6.60%	6.50%	6.61%	6.72%	6.53%



# City of Heath

## Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2012						
<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	0.19%	\$144,550,609	38.94%	\$2,168,259	38.94%
All Others	5,205	99.81%	226,689,733	61.06%	3,400,346	61.06%
Total	5,215	100.00%	\$371,240,342	100.00%	\$5,568,605	100.00%

Calendar Year 2003						
<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%	\$146,112,967	44.37%	\$2,191,695	44.37%
All Others	5,845	99.83%	183,217,399	55.63%	2,748,260	55.63%
Total	5,855	100.00%	\$329,330,366	100.00%	\$4,939,955	100.00%

Source: City Income Tax Department

## *City of Heath*

### *Ratio of Outstanding Debt By Type Last Ten Years*

	2003	2004	2005	2006
<b>Governmental Activities</b> <sup>(1)</sup>				
General Obligation Bonds Payable	\$5,775,000	\$5,370,000	\$4,950,000	\$4,715,000
Installment Loan Payable	55,910	10,674	0	0
Capital Leases	18,868	13,250	6,964	79,591
<b>Business-type Activities</b> <sup>(1)</sup>				
General Obligation Bonds Payable	2,745,000	2,610,000	2,475,000	2,330,000
Ohio Water Development Authority Loans	4,370,769	5,636,654	5,866,987	5,735,892
Ohio Public Works Commission Loan	0	0	0	0
Installment Loan Payable	24,777	0	0	0
Total Primary Government	<u>\$12,990,324</u>	<u>\$13,640,578</u>	<u>\$13,298,951</u>	<u>\$12,860,483</u>
<b>Population</b> <sup>(2)</sup>				
City of Heath	8,527	8,527	8,527	8,527
Outstanding Debt Per Capita	\$1,523	\$1,600	\$1,560	\$1,508
<b>Income</b> <sup>(3)</sup>				
Personal (in thousands)	240,862	253,124	258,803	284,358
Percentage of Personal Income	5.39%	5.39%	5.14%	4.52%

**Sources:**

(1) City Auditor's Office

(2) US Bureau of Census, Population Division

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

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

*City of Heath*

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2007	2008	2009	2010	2011	2012
\$4,480,000	\$4,235,000	\$4,015,000	\$3,735,000	\$3,555,000	\$3,225,000
0	0	0	0	0	0
60,426	42,826	24,482	5,371	49,979	90,261
2,180,000	2,025,000	1,915,000	1,720,000	1,520,000	1,870,000
4,794,983	4,129,717	3,432,074	4,118,537	6,081,565	5,942,607
104,256	102,518	100,780	97,304	93,828	90,352
0	0	0	0	0	0
<u>\$11,619,665</u>	<u>\$10,535,061</u>	<u>\$9,487,336</u>	<u>\$9,676,212</u>	<u>\$11,300,372</u>	<u>\$11,218,220</u>
8,527	8,527	8,527	10,310	10,310	10,310
\$1,363	\$1,235	\$1,113	\$939	\$1,096	\$1,088
297,115	303,766	305,863	357,458	386,532	386,532
3.91%	3.47%	3.10%	2.71%	2.92%	2.90%

## *City of Heath*

### *Ratios of General Bonded Debt Outstanding Last Ten Years*

Year	2003	2004	2005	2006
<b>Population</b> <sup>(1)</sup>	8,527	8,527	8,527	8,527
<b>Assessed Value</b> <sup>(2)</sup>	\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460
<b>General Bonded Debt</b> <sup>(3)</sup>				
General Obligation Bonds	\$8,520,000	\$7,980,000	\$7,425,000	\$7,045,000
<b>Resources Available to Pay Principal</b> <sup>(4)</sup>	\$757,865	\$494,931	\$245,652	\$227,198
<b>Net General Bonded Debt</b>	\$7,762,135	\$7,485,069	\$7,179,348	\$6,817,802
<b>Ratio of Net Bonded Debt to Estimated Actual Value</b>	3.05%	2.87%	2.37%	2.42%
<b>Net Bonded Debt per Capita</b>	\$910.30	\$877.81	\$841.95	\$799.55

**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*

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<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
8,527	8,527	8,527	10,310	10,310	10,310
\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150	\$268,239,290	\$270,780,340
\$6,660,000	\$6,260,000	\$5,930,000	\$5,455,000	\$5,075,000	\$5,095,000
\$207,537	\$187,176	\$165,163	\$134,952	\$134,241	\$151,211
\$6,452,463	\$6,072,824	\$5,764,837	\$5,320,048	\$4,940,759	\$4,943,789
2.34%	2.29%	2.18%	2.01%	1.84%	1.83%
\$756.71	\$712.19	\$676.07	\$516.01	\$479.22	\$479.51



## *City of Heath*

*Computation of Direct and Overlapping  
Debt Attributable to Governmental Activities  
December 31, 2012*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Heath (1)</u>	<u>Amount Applicable to the City of Heath</u>
<b>Direct:</b>			
City of Heath	\$3,315,261	100.00%	\$3,315,261
<b>Overlapping:</b>			
Heath City School District	15,560,000	94.21%	14,659,076
Licking County	17,448,757	7.19%	<u>1,254,566</u>
		Subtotal	<u>15,913,642</u>
		Total	<u><u>\$19,228,903</u></u>

**Source:** Licking County

(1) Percentages determined by dividing each overlapping subdivisions'

## City of Heath

### Debt Limitations Last Ten Years

Collection Year	2003	2004	2005	2006
<b>Total Debt</b>				
Net Assessed Valuation	\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460
Legal Debt Limitation (%) <sup>(1)</sup>	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	26,722,000	27,419,553	31,785,550	29,591,253
City Debt Outstanding <sup>(2)</sup>	5,775,000	5,370,000	4,950,000	4,715,000
Less: Applicable Debt Service Fund Amounts	<u>(757,865)</u>	<u>(494,931)</u>	<u>(245,652)</u>	<u>(227,198)</u>
Net Indebtedness Subject to Limitation	<u>5,017,135</u>	<u>4,875,069</u>	<u>4,704,348</u>	<u>4,487,802</u>
Overall Legal Debt Margin	<u><u>\$21,704,865</u></u>	<u><u>\$22,544,484</u></u>	<u><u>\$27,081,202</u></u>	<u><u>\$25,103,451</u></u>
<b>Unvoted Debt</b>				
Net Assessed Valuation	\$254,495,240	\$261,138,600	\$302,719,520	\$281,821,460
Legal Debt Limitation (%) <sup>(1)</sup>	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) <sup>(1)</sup>	13,997,238	14,362,623	16,649,574	15,500,180
City Debt Outstanding <sup>(2)</sup>	5,775,000	5,370,000	4,950,000	4,715,000
Less: Applicable Debt Service Fund Amounts	<u>(757,865)</u>	<u>(494,931)</u>	<u>(245,652)</u>	<u>(227,198)</u>
Net Indebtedness Subject to Limitation	<u>5,017,135</u>	<u>4,875,069</u>	<u>4,704,348</u>	<u>4,487,802</u>
Overall Legal Debt Margin	<u><u>\$8,980,103</u></u>	<u><u>\$9,487,554</u></u>	<u><u>\$11,945,226</u></u>	<u><u>\$11,012,378</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*

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2007	2008	2009	2010	2011	2012
\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150	\$268,239,290	\$270,780,340
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
28,937,187	27,791,687	27,732,507	27,813,991	28,165,125	28,431,936
4,480,000	4,235,000	4,015,000	3,735,000	3,555,000	3,225,000
(207,537)	(187,176)	(165,163)	(134,952)	(134,241)	(151,211)
<u>4,272,463</u>	<u>4,047,824</u>	<u>3,849,837</u>	<u>3,600,048</u>	<u>3,420,759</u>	<u>3,073,789</u>
<u>\$24,664,724</u>	<u>\$23,743,863</u>	<u>\$23,882,670</u>	<u>\$24,213,943</u>	<u>\$24,744,366</u>	<u>\$25,358,147</u>
\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150	\$268,239,290	\$270,780,340
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
15,157,574	14,557,550	14,526,551	14,569,233	14,753,161	14,892,919
4,480,000	4,235,000	4,015,000	3,735,000	3,555,000	3,225,000
(207,537)	(187,176)	(165,163)	(134,952)	(134,241)	(151,211)
<u>4,272,463</u>	<u>4,047,824</u>	<u>3,849,837</u>	<u>3,600,048</u>	<u>3,420,759</u>	<u>3,073,789</u>
<u>\$10,885,111</u>	<u>\$10,509,726</u>	<u>\$10,676,714</u>	<u>\$10,969,185</u>	<u>\$11,332,402</u>	<u>\$11,819,130</u>

# City of Heath

## Demographic and Economic Statistics Last Ten Years

Calendar Year	2003	2004	2005	2006	2007
<b>Population</b> <sup>(1)</sup>					
City of Heath	8,527	8,527	8,527	8,527	8,527
Licking County	145,491	145,491	145,491	145,491	145,491
<b>Income</b> <sup>(2) (a)</sup>					
Total Personal (in thousands)	240,862	253,124	258,803	284,358	297,115
Per Capita	28,247	29,685	30,351	33,348	34,844
<b>Unemployment Rate</b> <sup>(3)</sup>					
Federal	5.8%	6.0%	5.5%	5.0%	4.6%
State	5.7%	6.1%	6.0%	5.9%	5.6%
Licking County	5.3%	5.9%	5.8%	5.1%	5.2%
<b>Civilian Work Force Estimates</b> <sup>(3)</sup>					
State	5,915,000	5,875,300	5,900,400	5,934,000	5,976,500
Licking County	78,800	80,500	81,100	82,700	84,500

### Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2011 for the presentation of 2012 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*

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2008	2009	2010	2011	2012
8,527	8,527	10,310	10,310	10,310
145,491	145,491	166,492	166,492	166,492
303,766	305,863	357,458	386,532	386,532
35,624	35,870	34,671	37,491	37,491
5.8%	9.3%	9.6%	8.9%	8.1%
6.6%	10.2%	10.1%	8.6%	7.2%
6.1%	9.3%	9.5%	8.0%	6.5%
5,929,800	5,900,500	5,894,000	5,806,500	5,747,900
85,900	84,100	83,500	84,400	84,800



## *City of Heath*

### *Principal Employers Current Year and Nine Years Ago*

Employer	Nature of Business	2012	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	867	1
Super Wal-Mart Stores	Retail Sales	433	2
Arvin/Meritor	Manufacturing	362	3
Kaiser Aluminum & Chemical Co.	Manufacturing	319	4
Heath City Schools	Education	304	5
Heath Nursing Home	Health Care	226	6
Lowe's Home Center	Retail Sales	204	7
Target Stores	Retail Sales	202	8
John Hinderer Honda	Retail Sales	189	9
Englefield Oil	Petroleum Products	152	10
Total		<u>3,258</u>	

Employer	Nature of Business	2003	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	940	1
Arvin/Meritor	Manufacturing	606	2
Kaiser Aluminum & Chemical Co.	Manufacturing	253	3
Heath Nursing Home	Health Care	185	4
Wal-Mart Stores	Retail Sales	178	5
Heath City Schools	Education	166	6
Englefield Oil	Petroleum Products	145	7
Kroger	Retail/Grocery	123	8
Lowe's Home Center	Retail Sales	114	9
Sears	Retail Sales	51	10
Total		<u>2,761</u>	

**Sources:**

City of Heath Income Tax Department

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

## *City of Heath*

### *Full Time Equivalent Employees by Function Last Ten Years*

	2003	2004	2005	2006	2007
<b>Governmental Activities</b>					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor	1.00	1.00	1.00	1.00	1.00
Council	7.00	7.00	7.00	7.00	7.00
Clerk of Council	1.00	1.00	1.00	1.00	1.00
Legal	2.00	2.00	2.00	2.00	2.00
Administration	3.00	3.00	3.00	3.25	3.50
Income Tax	5.00	5.00	4.00	4.00	4.00
Service	1.25	1.00	1.00	1.00	1.00
Security of Persons and Property					
Police	21.00	19.00	19.00	18.00	18.00
Fire	23.50	22.50	16.00	16.50	16.00
Communications	9.50	9.50	10.50	11.00	7.50
Transportation					
Street	10.00	10.00	10.00	9.00	8.50
Leisure Time Activities					
Recreation / Parks	10.00	9.50	8.25	8.00	7.75
Water Park	34.75	36.75	31.25	31.00	29.50
Community Environment					
Zoning	2.00	2.00	2.00	2.00	2.00
<b>Business-Type Activities</b>					
Utilities					
Water	8.00	8.00	8.00	8.25	7.50
Sewer	9.00	9.00	9.00	7.50	7.75
<i>Total Employees</i>	<u>149.00</u>	<u>147.25</u>	<u>134.00</u>	<u>131.50</u>	<u>125.00</u>

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

Source: City Auditor's Office

*City of Heath*

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<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00
2.00	2.00	2.00	2.00	2.00
3.50	3.25	3.25	3.25	3.25
4.00	4.00	4.00	4.00	4.00
1.25	0.50	0.50	0.50	0.50
18.00	18.00	18.50	19.50	18.50
16.00	16.00	16.00	16.00	16.00
8.00	7.50	6.00	6.00	7.00
7.50	8.50	7.50	7.50	7.50
7.50	6.25	5.25	4.75	4.75
31.50	37.00	38.00	40.50	40.50
2.00	2.00	2.00	2.00	2.00
8.00	9.50	9.50	9.00	9.00
8.00	9.00	9.00	8.75	7.75
<u>127.25</u>	<u>133.50</u>	<u>131.50</u>	<u>133.75</u>	<u>132.75</u>

# City of Heath

## Operating Indicators by Function Last Ten Years

	2003	2004	2005	2006
<b>Governmental Activities</b>				
General Government				
Council				
Members	7	7	7	7
Number of Ordinances passed	106	116	96	97
Number of Resolutions passed	15	20	15	11
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	1,500	1,349	1,135	1,523
Number of Arrests	616	538	583	589
Fire				
Number of Calls	1,705	1,903	1,864	1,914
Number of Inspections	302	376	354	320
Transportation				
Street				
Number of Streets Resurfaced	4	3	4	2
Leisure Time Activities				
Recreation / Parks				
Number of Pool/Water Park Memberships Sold	984	888	962	928
Community Environment				
Number of Building Permits	154	139	157	196
Number of Building Inspections	141	130	128	177
Number of Board of Building and Zoning Appeal Cases	13	17	26	20
<b>Business-Type Activities</b>				
Water				
Number of Service Connections	3,398	3,425	3,425	3,425
Daily Average Consumption (thousands of gallons)	1,200	1,200	1,200	1,300
Maximun Daily Capacity (thousands of gallons)	4,000	4,000	4,000	4,000
Sewer				
Daily Average Sewage Treatment (thousands of gallons)	1,300	1,300	1,300	1,300

Source: City Auditor's Office

*City of Heath*

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2007	2008	2009	2010	2011	2012
7	7	7	7	7	7
110	99	112	81	100	83
10	7	6	8	10	10
1,582	1,412	1,286	1,312	1,054	1,146
600	472	470	471	548	547
1,964	2,058	2,122	2,038	2,052	2,303
342	522	432	415	392	395
11	8	11	7	1	0
1,142	1,072	950	930	994	952
110	82	80	74	81	53
87	54	66	48	31	41
19	16	11	11	17	9
3,750	3,750	3,750	4,285	3,764	3,800
1,300	1,300	1,300	1,200	1,200	1,200
4,000	4,000	4,000	4,000	4,000	4,000
1,600	1,600	1,600	1,300	1,472	1,273

## *City of Heath*

### *Capital Asset Statistics by Function Last Ten Years*

	2003	2004	2005	2006
<b>Governmental Activities</b>				
General Government				
Public Land and Buildings				
Land (acres)	130	136	132	132
Buildings	21	22	23	23
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Vehicles	8	8	8	8
Fire				
Stations	2	2	2	2
Vehicles	9	9	9	10
Transportation				
Street				
Streets (lane miles)	87	87	87	87
Street Lights	660	660	705	707
Traffic Signals (Intersections)	17	17	17	18
Vehicles	14	14	14	14
Leisure Time Activities				
Recreation / Parks				
Land (acres)	358	366	376	376
Buildings	2	2	2	2
Parks	9	10	11	11
Playgrounds	3	3	3	3
Swimming Pools	1	1	1	1
Baseball/Softball Diamonds	7	7	7	7
Sand Volleyball Courts	2	2	2	2

*City of Heath*

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2007	2008	2009	2010	2011	2012
132	132	138	138	138	138
23	23	23	23	23	23
1	1	1	1	1	1
8	7	7	7	7	7
2	2	2	2	2	2
10	10	12	11	9	10
90	90	91	91	91	94
708	708	708	709	709	709
18	18	18	19	19	19
14	14	14	14	14	14
376	376	376	376	376	376
2	2	3	3	3	4
11	11	11	11	11	11
4	4	4	4	4	4
1	1	1	1	1	1
7	7	8	8	8	8
2	2	2	2	2	2

# City of Heath

## Capital Asset Statistics by Function Last Ten Years

	2003	2004	2005	2006
<b>Business-Type Activities</b>				
Utilities				
Water				
Waterlines (Miles)	67	71	74	79
Pump Stations	4	4	5	5
Number of Hydrants	540	560	588	594
Average Daily Consumption	1,200,000	1,200,000	1,200,000	1,400,000
Storage Capacity (thousands of gallons)	2,165	2,165	2,165	2,165
Sewer				
Sewerlines (Miles)	96	101	105	110
Lift Stations	16	18	19	19
Storm Drains (Miles)	52	52	52	60
Treatment Capacity (thousands of gallons)	1,750	1,750	1,750	1,750

Source: City Auditor's Office

*City of Heath*

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2007	2008	2009	2010	2011	2012
81	81	81	86	86	86
5	5	5	3	3	4
766	767	767	770	770	770
1,300,000	1,300,000	1,300,000	1,200,000	1,200,000	1,200,000
2,165	2,165	2,165	1,285	2,380	2,383
112	113	113	115	116	116
18	20	20	21	21	21
60	60	60	60	60	60
1,750	1,750	1,750	1,750	1,750	1,750





# Dave Yost • Auditor of State

**CITY OF HEATH**

**LICKING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 16, 2013**