

Licking County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Heath, Licking County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2004 through December 31, 2004. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 8, 2005

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2004

Prepared by the City Auditor's Department

Mr. Keith B. Alexander
City Auditor



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LICKING COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF HEATH

1287 Hebron Road • Heath, Ohio 43056
Keith B. Alexander, City Auditor

phone (740) 522-1420

fax (740)-522-6324

June 15, 2005

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, 2004. The report has been prepared in conformity with generally accepted accounting principles (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

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

The Report

The Comprehensive Annual Financial Report (CAFR) is designed to assist and guide the reader in understanding its contents. The report is comprised of the following three major sections:

1. **The Introductory Section** includes this letter of transmittal which presents the City's organization, operational structure and accomplishments; an organizational chart; a list of elected officials; and the GFOA Certificate of Achievement.
2. **The Financial Section** contains the Independent Auditors' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. **The Statistical Section** presents social, economic and historical data in a multi-year format useful in identifying financial trends and data relative to the fiscal capacity of the City.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

The Reporting Entity

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

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

The City of Heath

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

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

Historical areas in the City of Heath include the Davis-Shai House, the old Four Mile Lock (part of the Ohio Canal), Moundbuilders State Park, and the recently acquired Forry Preserve. A unique collection of prehistoric Hopewell Indian artifacts is on display in the Ohio Indian Art Museum. 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.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Municipal Services

Police Services

The Heath Police Department was established in 1963 with a Chief and one full-time patrolman. The department of today consists of eighteen sworn officers, ten reserve officers, five full time and four part time dispatchers, and two clerks. The department prides itself as a highly progressive but customer service centered agency. The vehicle fleet consists of eight “marked” patrol cars, five unmarked sedans, and a D.A.R.E. vehicle. The department participates in several community service activities including the Drug Abuse Resistance Education (D.A.R.E.) program, and an annual Citizens Police Academy. Officers receive continuous in-service training. Nearly one-half of the sworn members are college graduates or currently attending. The Heath Police Department is an internationally accredited agency through the Commission on Accreditation for Law Enforcement Agencies (C.A.L.E.A.), an honor bestowed only on police agencies that meet their rigorous standards of excellence.

Fire Services

The Heath Fire Department has served its community since 1951, and currently operates two stations housing two Structural engines, a Rescue Pumper, three Advanced Life Support Medic units, a 100’ Skyarm Aerial, a 4x4 utility truck, and a county Haz-Mat and a Water Rescue trailer. The department also has a Walters Aircraft Rescue Crash truck and a Foam Response trailer to protect the local airport. Heath Fire is a combination department protecting 12.5 square miles with 16 full-time firefighter paramedics including the chief. Additionally, the department has 20 volunteer firefighters and/or EMT’s of various levels of certification. Heath Fire operates a three platoon system working 24 on/48 off shifts. Each shift is assigned a captain, a lieutenant, and three full-time firefighter/EMT’s. The department operates under a Licking county mutual aid agreement with all other county departments, and will soon begin automatic mutual aid within the county. Heath responds to approximately 1900 fire and EMS calls annually. HFD is part of the Licking county Haz-Mat team, and responds Haz-Mat 2 and the Water Rescue trailer to surrounding area emergencies. Actively involved in fire prevention, inspections, fire safety, junior fire-setter programs, and CPR training, the department is supported with two permanent property tax levies, as well as general revenues from the City of Heath’s income tax. The department is a member of the National Fire Protection Association (NFPA), the Ohio Firefighter Association, Ohio and Central Ohio Chiefs Associations, and the Licking County Firefighters Association. Heath Firefighters are members of the IAFF Local 2930.

Water and Wastewater Services

Water is treated by the City’s municipal water plant located on Dorsey Mill Road and delivered through the distribution system, which is also owned and maintained by the City. Current flow through the plant averages 1.6 million gallons per day (MGD). Construction was completed to upgrade the water plant, which doubled the treatment capacity of the plant from 2 MGD to 4 MGD. The 1998 upgrade added a 500,000 gallon clear well to increase storage capacity to 2.38 million gallons. The upgrade also included a renovation of the laboratory making it one of only two labs in Licking County certified in bacteria testing. There are seven employees involved in the production and distribution of water for the City.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Unlike most cities, Heath's drinking water comes from deep underground aquifers, instead of a less desirable surface source. The city water is softened to 100 mg/l making home water softeners unnecessary. In order to increase water volume to the city's southern portion, in 2003, additional water lines were added along Hebron Road south to Mid-Ohio Industrial Park.

The wastewater plant and collection system is owned and maintained by the City. The ten million dollar plant, completed in 1992, has a capacity of 1.75 MGD and with a peak flow of 7 MGD. Federal sludge regulations have forced the operations of the plant to become more efficient and to produce a higher quality product, which has less negative impact on the environment. In 1998, the digesters were converted from anaerobic to more efficient aerobic digesters. A solids handling improvement project began in 2004 that included several building improvements, and a new larger Rodiger belt press. A chief operator, two operators, and five utility workers man two shifts in the collection system and operation of the plant.

Street Department Services

The Heath Street Department Complex located at 550 Dog Leg Road consists of five buildings including office, garage, and storage facilities. The Department has two salt-water storage pools, one located at the Municipal Office Building and the other at the Heath Wastewater Plant, and a rock salt storage facility with the capacity to store 850 tons of rock salt. The Department is also responsible for several retaining ponds located in various areas of the City and a stone quarry.

The Street Department has a total of ten full-time employees including the Street Superintendent. The Department is responsible for maintenance and repair of approximately 86 miles of streets and highways in the City. The Department is also responsible for snow removal, storm sewer and catch basin maintenance and repair, traffic signal operation, road lines and markings, sign installation and maintenance, mowing and maintenance of extensive right-of-ways, crack sealing and asphalt repairs and the annual leaf pickup program.

The Department maintains a fleet of approximately fourteen vehicles and ten pieces of heavy-duty equipment. The Department also conducts an annual vehicle inspection of all other City owned vehicles to insure the reliability of the vehicles and the safety of City employees.

Building and Zoning Services

The Building and Zoning Department, which is staffed by two inspectors, is part of the city safety forces and located in the municipal building. The department has a wide range of responsibilities including overseeing community development, maintaining the Land Use and Thoroughfare Plan, acting as the city representative to the local Metropolitan Planning Organization, maintaining the Geographic Information System, review of development plans, coordinating the Board of Zoning and Building Appeals and Planning Commission, issuance of zoning permits, inspections, enforcement of zoning and general ordinances, complaint investigation and resolution, flood plain administration, grant applications and administration, coordination of multi-jurisdictional projects, and special assignments as directed by the mayor.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Other general duties performed by the department include planning, securing funding and administering major construction projects such as road improvements and bridge replacements, acting as the city representative to the local Metropolitan Planning Organization, management of flood hazard areas and serving as liaison to the Bureau of the Census.

Parks and Recreation Services

Heath Parks is comprised of over 363 acres of beautiful parkland, an indoor recreation and fitness center, a state-of-the-art municipal water park, and a historic facility used as both a cultural arts center and rental facility. Canal Lock Park, a one-acre park located along State Route 79, dates back to 1825 and commemorates the beginning of the Ohio & Erie Canal. Two relatively small parks – Dorsey Mill Park and The South Fork Well Field – are maintained as natural settings along the Licking River; a third small park, Kroger Park, provides green space on South 30th Street; and Hitchcock Park, a fourth small park located in the center of a residential area features 3.09 acres of green space, playground equipment, and outdoor shelter, a basketball court, and a picnic area.

Two larger premier city parks, Hoback and Geller, collectively comprise over 72 acres. Hoback Park, is located on Dorsey Mill Road, and contains five (5) Little League fields, a basketball court, picnic areas, children's play facility, restrooms, and an enclosed shelter. During the summer, the Heath Sertoma Club offers a well-rounded Little League program including farm and varsity baseball, and girls' farm and varsity softball and T-ball. The site features access to the South Fork Licking River and wooded areas for hiking.

John C. Geller Park offers variety with its changes in terrain, open lawns, and wooded areas. Noteworthy facilities include a two-mile walking path, open play areas, two softball fields, two sand volleyball courts, two outdoor shelters, a Viet-Nam Memorial, and handicap accessible children's play equipment. Area children flock to the park for snow sledding on one of the best hills in the county. Tree memorials provide ample shade in the summer. Geller Park is the focal point for many community events, such as Kids First! Fest, and the Star Spangled Celebration.

The Forry Preserve, the city's newest park, includes 240 acres of natural green-space along the Licking River. This beautiful hillside acreage includes abundant wildlife, and pre-historically significant Indian mounds. A trail-head, parking lot, and shelter house were added in 2004.

Heath's Walkway/Bikeway Corridor meanders along the Licking River, starting at Heath Middle School, going south to Irving-Wick Drive, then east to the River Oaks subdivision. An abundance of plant and animal life, along with interpretive signs, rest areas, and a shelter house, give pedestrian and bike travelers plenty to see.

The city's first venture into indoor recreational programs occurred in 1998 with the opening of the Heath Community Recreation and Fitness Center. The facility modern fitness equipment, free weights, sauna, Jacuzzi, tanning beds, cardio-vascular room, and general fitness class programming help keep participants of all ages "fit for life". The large gymnasium also offers ample opportunities for sports activities and community events.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

The city's municipal pool complex is appropriately described as a "water park". Major renovation and expansion in 2002 featured a 660' LayZee River, two gigantic 30" slides, two drop slides, a SCS Interactive/Play System, 10-lane 50 meter Olympic pool, 12' diving well, concession stands, shade shelters, and basketball and volleyball courts. 2003 brought a parking lot expansion that increased spaces by 170 to help accommodate the over 100,000 seasonal visitors.

The Davis-Shai House, moved by the City of Heath on April 16th, 1996, not only serves as the city's oldest historic treasure, but also as a Licking County cultural arts center and rental facility. The Heath Community Arts Council manages day-to-day operations to include teas, Friday lunches, dinner theatres, music events, weddings, small private parties, corporate meetings, and a wide variety of cultural programming. The house's ambience brings back the "Victorian Christmas" each year, which features incredible holiday decorations, horse-drawn carriage rides, seasonal songs, and warm holiday feelings.

Recent accolades received by the Heath Parks Department include the Ohio Parks & Recreation (OPRA) Award of Merit in 2000 for the Heath Recreation and Fitness Center, OPRA and Downtown Ohio, Inc. First Place awards in 2001 for the Davis-Shai House; OPRA First Place award for the Heath History book, *Heath, Ohio: Hometown Memories*, and OPRA First Place Aquatic award for the Heath Municipal Pool in 2003.

The Heath Parks Department has a staff of nine (9) full-time employees, including the Director of Parks and Recreation. Seasonal and part-time employees expand that number to about 100 during summer months. The Heath Community Arts Council, a not-for-profit organization, employs two full time, one part time, but largely depends on more than 100 volunteers for its operation.

Administrative Services

The Administrative Services Department is under the direction of the City Auditor and is responsible for the functions of tax collection, utility billing, financial control, data processing, risk management and public information. This department provides essential support services to all departments and divisions of the City, as well as several direct services to residents and businesses. The Administrative Services Department consists of two divisions - the Tax Division and the Finance Division.

The Tax Division is under the direction of the Tax Commissioner who is responsible for the collection and administration of the City's one and one-half percent earnings tax and the hotel excise tax. In addition, the Tax Division offers direct tax assistance services to all residents and businesses. An outside company was hired to address the issue of delinquent balances and non-filers.

The Finance Division is responsible for all areas of financial administration, including revenue recording, investments, debt service management, expenditure tracking, financial records, budgeting, financial reporting, utility billing and payroll/personnel administration.

Citywide, all personnel of the City of Heath are involved in Youth in Government Day. Each May, the two-day program allows students to serve as government officials, whereby, students are elected by their peers to various City offices. After the election, they visit City Hall to write mock ordinances and develop mock plans for the City. On the second day a mock council meeting is held and the students spend the day with their respective counterparts. The annual program provides the students an opportunity to see the operation of the City first hand and to visit all City departments.

CITY OF HEATH, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2004**

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>
84	Classified employees
9	Elected officials
6	Appointed employees

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, 2005	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2005	15
International Association of Firefighters Local 2930	April 17, 2005	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2005	39

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

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

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

ECONOMIC OUTLOOK

Over the last twenty years, the City of Heath has become the center of commercial growth in Licking County. Cross Creek Shopping Center, the Indian Mound Mall and Southgate Shopping Center as well as large establishments such as Wal-Mart, Target and Best Buy draw shoppers from surrounding communities. National restaurant chains including Red Lobster, Applebee's, Olive Garden, Bob Evans and Tumbleweed have located in the heart of the commercial development to meet the needs of those who have come to shop at the various retail stores. Although retail sales around the country were sluggish in 2003, Heath retailers have held their own. Office Depot returned to Heath. The Honeybaked Ham Company, and Peppers both opened in 2004, as did Steve & Barry's University Sportsware, Mark Pi's China Express, and Massey's Pizza.

Industrial employment is expected to remain relatively constant. The Newark Air Force Base (NAFB) closed as a government facility in October of 1996. Ownership of the facility, renamed the Central Ohio Aerospace and Technology Center, was assumed by the Heath-Newark-Licking County Port Authority. The City is represented on the board of the port authority through the appointment of three of the nine board members. In 1999, Boeing North America was awarded a fifteen-year contract by the United States Government for the repair of military navigational systems. The Bionetics Corporation was awarded a twenty-year contract in 2001 by the Air Force for its metrology calibration workload. Independent contractors, Southtowne Kids and Aramark Services, are operating the existing daycare center and cafeteria. The Heath-Newark-Licking County Port Authority acquired an additional two hundred and fifty acres of adjacent property for industrial development, and is currently marketing the same through the establishment of a Foreign Trade Zone.

In the residential sector, thirteen single family homes, ten condominium units and thirty-five manufactured homes were constructed or located within the City.

Overall, the City remains positive about its expected growth in both the commercial and residential sectors and its continued solid economic base.

MAJOR INITIATIVES

The year 2004 saw the beginning of the Wastewater Solids Handling Improvement Project. The 2.2 million dollar upgrade will vastly improve the handling of solid waste. The centerpiece of the upgrade is a new larger capacity de-watering Rodiger belt press.

Family-oriented events continue to be expanded throughout the City. The *Star-Spangled Celebration* on July 2nd has become one of the premier Independence Day events in our area. The *Kid's First! Fest*, held in September, provides children and their families with a day full of fun and the opportunity to learn more about the exciting programs and activities available in our area. The municipal pool, perhaps more appropriately described as a water park, also offers a series of themed family nights for patrons filled with fun, games, music and activities.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

The Parks Department continues to upgrade and improve the looks of our city parks. Through a lease agreement with the Thomas J. Evans Foundation, Forry Preserve II was established. The roughly 7 acre addition is adjacent to the Forry Preserve, and now includes a parking lot, and shelter house. It is anticipated that this roughly \$50,000 investment will serve as the eventual trail head for the Forry Preserve.

The Street Department carried out its usual tasks of paving, snow removal, leaf pickup, tree trimming, mowing and clearing drainage ditches throughout the year. The Blackfoot Trail culvert replacement project was an emergency project in 2004, as flooding washed out a very deeply placed culvert on Blackfoot Trail. The \$169,519 project was completed in 2004. The SR-79 Safety Study, which cost the city approximately \$120,000, may give way to a safety improvement grant well surpassing \$1.2 million dollars.

Funding was acquired or applied for and engineering either completed or initiated, with construction proceeding or completed, for the following projects: Widening of south SR 79; the new road and bridge connection to Thornwood Drive from SR 79; bridge rehabilitation SR 79; intersection improvements at SR 79 and Heath Road; SR 79; Irving-Wick Drive; bike path connections to the High School and River Oaks Subdivision; and storm drainage improvements in Forest Hills. Completion of the aforementioned projects will solidify Heath's reputation of having the best planned and maintained infrastructure in Licking County.

The Police and Fire Department pursued several projects in 2004 in an effort to educate and make our community safer. The Fire Department actively offered training, lectures and education programs within the school community and to civic organizations. The Police Department implemented and graduated its Citizens Academy, and continued its involvement in D.A.R.E. Legislation was passed to purchase two additional weather warning sirens, to compliment the four already installed.

Plans for 2005 include:

Parks:	Playground equipment	\$13,000
	Natureworks grant	\$40,000
	Recreation Trails grant	\$40,000
Fire:	New Squad unit	\$175,000
	Hi-band radio repeater	\$20,000
	Install (2) weather warning sirens	\$11,700
Police:	(4) Police cruisers	\$100,000
	Unmarked car	\$15,000
Street:	Annual paving	\$100,000
	New dump & plow (5-year lease payment)	\$19,800
Wastewater:	Generators, Fox Run & Ramp Creek	\$50,000
	Grandview Ave. lift station upgrade	\$60,000
Zoning:	SR-79 traffic study	\$120,000
	Heath Rd./Dorsey Mill Rd. alignment	\$80,000

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 that:

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

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

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

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

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

Risk Management

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

The City of Heath is committed to promoting and supporting a safe work environment for all City of Heath employees. A city wide safety plan and policy along with the appointment of an OSHA Safety Committee was undertaken in the City of Heath in 1994 after a representative of the Ohio Government Risk Management Plan visited the city to do a “mock” inspection of the city operations. The city then implemented a Safety Plan and programs for a safe work environment. The Safety Plan and Policy adopted in 1995 was updated and distributed to employees by order of the Mayor of the City of Heath in 1999. The City of Heath’s commitment to safety is further supported by the selection of a “Safety Employee of the Year” from the rank and file employees. The award is for commitment to safety, promotion of safety and support of the city safety programs.

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

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

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

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

Health Insurance

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

Late in 2004, city employees began paying (payroll deducted) approximately 3% of health insurance costs.

Workers' Compensation

The City of Heath joined the Ohio Municipal League (OML) Worker's Compensation Pool in 1992. The pool groups similar municipal employers to gain a greater discount in worker's compensation premiums for City employees. Section 4123.29 of the Ohio Revised Code, and the rules promulgated 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 worker's compensation premium rates for participants and to promote establishment of a safer working environment.

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

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

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

OTHER INFORMATION

Independent Audit

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

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2004

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, 2003. This was the tenth year in a row the City received this award.

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA.

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, Administrative Assistant; and our Department Heads for the extra effort they put forth in the preparation of this report.

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

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

Respectfully,



Keith B. Alexander
City Auditor

CITY OF HEATH, OHIO

**List of Principal Officials
For the Year Ended December 31, 2004**

<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>	<i>SURETY</i>
Daniel L. Dupps	Mayor	12/31/05	
Keith B. Alexander	Auditor	03/31/08	A
James W. Watercutter	Council Member - Ward 1 Council President	12/31/05	
Cledys Henry	Council Member at Large President-Pro-Tem	12/31/07	
Dr. Ronald Krueger	Council Member at Large	12/31/07	
Jeffrey Crabill	Council Member - Ward 3	12/31/05	
Mary Kelley	Council Member - Ward 2	12/31/05	
Jay Morrow	Council Member at Large	12/31/07	
Tim Kelley	Council Member at Large	12/31/07	

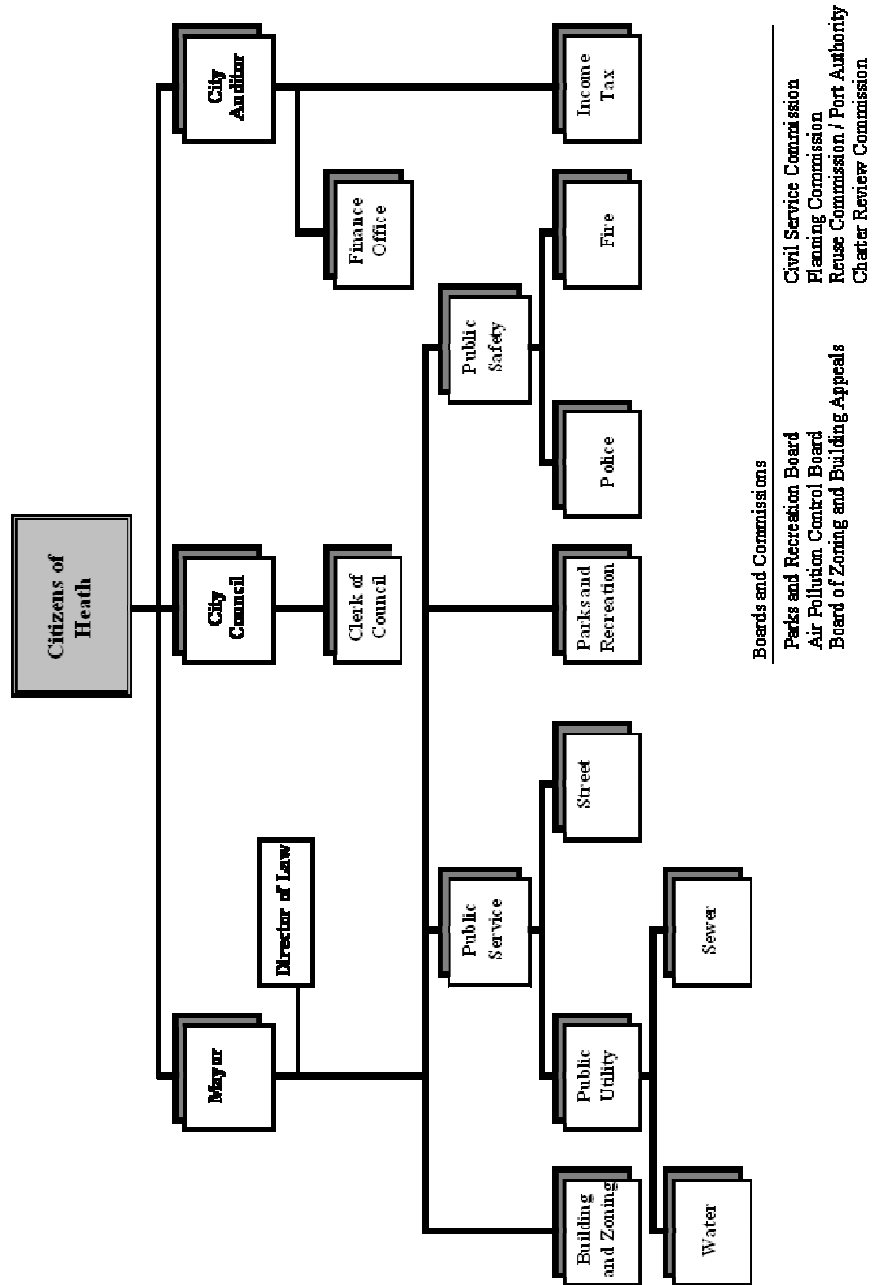
<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>	<i>SURETY</i>
Anne Gilbert	Income Tax Commissioner	Indefinite	A
Anthony Shepherd	Police Chief	Indefinite	
Kevin Vermillion	Police Lieutenant	Indefinite	
Mark Huggins	Fire Chief	Indefinite	
David Brenner	Utilities Director	Indefinite	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

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

City Address:

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

City Organizational Chart
For the Year Ended December 31, 2004



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, 2003

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.



Nancy L. Zielle

President

Jeffrey R. Enos

Executive Director

FINANCIAL SECTION



CITY OF HEATH

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Heath as of and for the year ended December 31, 2004, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and each major fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2005, on our consideration of the City of Heath's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Independent Auditors Report

Page 2

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the City of Heath's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

We did not audit the introductory and statistical information as listed in the table of contents, and, therefore, express no opinion thereon.

Wolfe, Wilson, & Phillips, Inc.

Zanesville, Ohio

June 15, 2005

The discussion and analysis of the City of Heath's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the 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 2004 are as follows:

- ❑ In total, net assets increased \$2.5 million. Net assets of governmental activities decreased \$2.4 million which represents a 11.6% increase from 2003. Net assets of business-type activities increased \$.1 million or .8% from 2003.
- ❑ General revenues accounted for \$6.7 million in revenue or 47.3% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 52.7% of total revenues of \$14.2 million.
- ❑ The City had \$8.2 million in expenses related to governmental activities; only \$3.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$7.1 million assisted in providing for these programs.
- ❑ Among major funds, the general fund had \$5.9 million in revenues and \$5.2 million in expenditures. The general fund's fund balance increased \$84,984 to \$2.7 million.
- ❑ Net assets for enterprise funds increased by \$.1 million. This increase resulted primarily from capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net assets between December 31, 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$8,791,596	\$8,864,944	\$3,496,660	\$3,887,827	\$12,288,256	\$12,752,771
Capital assets, Net	21,990,798	20,049,692	18,756,288	17,188,627	40,747,086	37,238,319
Total assets	30,782,394	28,914,636	22,252,948	21,076,454	53,035,342	49,991,090
Long-term debt outstanding	6,017,820	6,406,109	8,379,255	7,276,490	14,397,075	13,682,599
Other liabilities	1,886,895	2,012,708	242,348	279,752	2,129,243	2,292,460
Total liabilities	7,904,715	8,418,817	8,621,603	7,556,242	16,526,318	15,975,059
Net assets						
Invested in capital assets, net of related debt	16,596,874	16,234,915	10,509,634	10,048,081	27,106,508	26,282,996
Restricted	3,931,719	3,866,353	0	0	3,931,719	3,866,353
Unrestricted	2,349,086	394,551	3,121,711	3,472,131	5,470,797	3,866,682
Total net assets	\$22,877,679	\$20,495,819	\$13,631,345	\$13,520,212	\$36,509,024	\$34,016,031

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2004 and 2003:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for Services and Sales	\$714,285	\$759,584	\$3,466,951	\$3,315,605	\$4,181,236	\$4,075,189
Operating Grants and Contributions	537,300	424,147	0	0	537,300	424,147
Capital Grants and Contributions	2,243,026	341,305	546,732	845,185	2,789,758	1,186,490
General revenues:						
Property Taxes	1,190,037	1,172,261	0	0	1,190,037	1,172,261
Income Taxes	4,765,042	4,839,079	0	0	4,765,042	4,839,079
Other Local Taxes	13,061	11,121	0	0	13,061	11,121
Shared Revenues	623,050	781,533	0	0	623,050	781,533
Investment Earnings	106,428	123,662	(2,973)	10,792	103,455	134,454
Miscellaneous	40,204	58,858	0	0	40,204	58,858
Total revenues	10,232,433	8,511,550	4,010,710	4,171,582	14,243,143	12,683,132
Program Expenses:						
Security of Persons and Property	4,216,123	3,423,445	0	0	4,216,123	3,423,445
Public Health and Welfare Services	52,500	52,500	0	0	52,500	52,500
Leisure Time Activities	1,302,972	1,627,677	0	0	1,302,972	1,627,677
Community Environment	302,336	305,945	0	0	302,336	305,945
Basic Utility Services	204,435	568,416	0	0	204,435	568,416
Transportation	553,998	3,129,391	0	0	553,998	3,129,391
General Government	1,327,217	1,265,259	0	0	1,327,217	1,265,259
Interest and Fiscal Charges	252,654	239,360	0	0	252,654	239,360
Business Type Activities:						
Water	0	0	1,460,249	1,552,029	1,460,249	1,552,029
Sewer	0	0	2,077,666	2,018,104	2,077,666	2,018,104
Total expenses	8,212,235	10,611,993	3,537,915	3,570,133	11,750,150	14,182,126
Transfers	361,662	0	(361,662)	0	0	0
Total Change in Net Assets	2,381,860	(2,100,443)	111,133	601,449	2,492,993	(1,498,994)
Restated Beginning Net Assets	20,495,819	22,596,262	13,520,212	12,918,763	34,016,031	35,515,025
Ending Net Assets	\$22,877,679	\$20,495,819	\$13,631,345	\$13,520,212	\$36,509,024	\$34,016,031

Governmental Activities

Net assets of the City's governmental activities increased by \$2,381,860. This was due primarily to large increase in intergovernmental revenues for capital projects.

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

CITY OF HEATH, OHIO

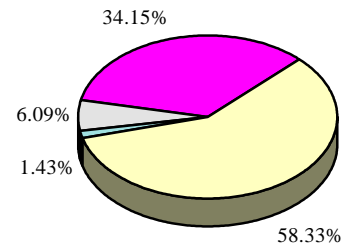
**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

Property taxes and income taxes made up 11.63% and 46.6% respectively of revenues for governmental activities for the City in fiscal year 2004. The City's reliance upon tax revenues is demonstrated by the following graph indicating 58.3% of total revenues from general tax revenues:

Revenue Sources	2004	Percent of Total
General Shared Revenues	\$623,050	6.09%
Program Revenues	3,494,611	34.15%
General Tax Revenues	5,968,140	58.33%
General Other	146,632	1.43%
Total Revenue	\$10,232,433	100.00%



Business-Type Activities

Net assets of the business-type activities increased by \$111,133. This increase was primarily the result of capital assets contributed by developers and the receipt of capital grant monies for water line improvements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$6,491,630, which is an increase from last year's balance of \$6,281,866. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2004 and 2003:

	Fund Balance December 31, 2004	Fund Balance December 31, 2003	Increase (Decrease)
General	\$2,683,905	\$2,598,921	\$84,984
Fire Levy	204,882	174,010	30,872
Capital Improvement Fund	1,521,393	1,189,545	331,848
Other Governmental	2,081,450	2,319,390	(237,940)
Total	\$6,491,630	\$6,281,866	\$209,764

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

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

	2004	2003	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$4,883,373	\$5,143,142	(\$259,769)
Intergovernmental Revenue	650,209	597,199	53,010
Charges for Services	145,379	148,701	(3,322)
Licenses, Permits and Fees	34,775	23,933	10,842
Investment Earnings	83,695	121,177	(37,482)
Fines and Forfeitures	32,734	23,436	9,298
All Other Revenue	36,136	18,411	17,725
Total	<u>\$5,866,301</u>	<u>\$6,075,999</u>	<u>(\$209,698)</u>

General Fund revenues in 2004 decreased approximately 3.5% compared to revenues in fiscal year 2003. The most significant factor contributing to this decrease was the reallocation of municipal income tax revenues.

	2004	2003	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$2,943,333	\$2,891,798	\$51,535
Public Health and Welfare Services	52,500	52,500	0
Leisure Time Activities	753,602	766,805	(13,203)
Community Environment	256,397	255,327	1,070
General Government	1,213,721	1,180,029	33,692
Total	<u>\$5,219,553</u>	<u>\$5,146,459</u>	<u>\$73,094</u>

General Fund expenditures remained relatively stable increasing by only \$73,094 or 1.4% over the prior year due to primarily to employee attrition and prudent financial management. The 2004 budget was cut considerably from previous levels and department managers were able to maintain adequate levels of service with less resources.

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.

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Unaudited

During the course of fiscal year 2004 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$5.9 did not change when compared to the original budget estimates of \$5.9 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004 the City had \$40,747,086 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$21,990,798 was related to governmental activities and \$18,756,288 to the business-type activities. The following table shows fiscal year 2004 and 2003 balances:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Land	\$5,938,722	\$5,710,931	\$227,791
Construction in Progress	33,350	26,700	6,650
Total Non-Depreciable Capital Assets	5,972,072	5,737,631	234,441
Buildings	4,788,916	4,759,198	29,718
Improvements Other Than Buildings	2,905,220	2,807,348	97,872
Machinery and Equipment	6,100,063	6,094,911	5,152
Infrastructure	13,844,344	11,171,863	2,672,481
Less: Accumulated Depreciation	(11,619,817)	(10,521,259)	(1,098,558)
Total Depreciable Capital Assets	16,018,726	14,312,061	1,706,665
Totals	\$21,990,798	\$20,049,692	\$1,941,106

	Business-Type Activities		Increase (Decrease)
	2004	2003	
Land	\$397,374	\$397,374	\$0
Construction in Progress	2,271,699	0	2,271,699
Total Non-Depreciable Capital Assets	2,669,073	397,374	2,271,699
Buildings	12,715,457	12,715,457	0
Improvements Other Than Buildings	1,510,298	1,510,298	0
Machinery and Equipment	4,818,014	4,799,725	18,289
Infrastructure	11,381,215	11,381,215	0
Less: Accumulated Depreciation	(14,337,769)	(13,615,442)	(722,327)
Total Depreciable Capital Assets	16,087,215	16,791,253	(704,038)
Totals	\$18,756,288	\$17,188,627	\$1,567,661

CITY OF HEATH, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2004

Unaudited

The largest increases in governmental activities capital assets occurred in infrastructure. The primary reason for the increase in the infrastructure category relate to road construction projects (new and resurfacing).

As of December 31, 2004, the City has contractual commitments of \$1,804,344 for various projects. Included in these projects are the State Route 79 Waterline improvements, sludge handling improvements, Port Authority water line, and the Blackfoot Trail Culvert Replacement Project. Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2004, the City had \$7.98 million in bonds outstanding, \$555,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General Obligation Bonds	\$5,370,000	\$5,775,000
Installment Loans	10,674	55,910
Capital Leases	13,250	18,868
Compensated Absences	<u>623,896</u>	<u>556,331</u>
Total Governmental Activities	6,017,820	6,406,109
Business-Type Activities:		
General Obligation Bonds	2,610,000	2,745,000
OWDA Loan	5,636,654	4,370,769
Installment Loan	0	24,777
Compensated Absences	<u>132,601</u>	<u>135,944</u>
Total Business-Type Activities	<u>8,379,255</u>	<u>7,276,490</u>
Totals	<u>\$14,397,075</u>	<u>\$13,682,599</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Heath lies, is limited to ten mills. At December 31, 2004, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

Income tax collections for 2004 were down slightly from 2003.

General Fund expenditures were budgeted at 5% less than 2004 actual expenditures. In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated. Also affecting the General Fund and budget are the ever increasing costs associated with employee pay raises, and upwardly spiraling health insurance costs.

City Council continues to review the possibility of increasing existing revenue sources. If the current economic conditions continue, it may be imperative to increase revenue in order to maintain fiscal stability.

REQUESTS FOR INFORMATION

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



CITY OF HEATH, OHIO

**Statement of Net Assets
December 31, 2004**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,247,043	\$ 1,946,348	\$ 5,193,391
Investments	2,445,602	980,396	3,425,998
Receivables:			
Taxes	2,125,984	0	2,125,984
Accounts	5,742	438,167	443,909
Intergovernmental	722,017	50,132	772,149
Interest	19,499	0	19,499
Internal Balances	36,407	(36,407)	0
Inventory of Supplies at Cost	102,183	79,156	181,339
Prepaid Items	62,294	38,868	101,162
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	24,825	0	24,825
Non-Depreciable Capital Assets	5,972,072	2,669,073	8,641,145
Depreciable Capital Assets, Net	16,018,726	16,087,215	32,105,941
Total Assets	30,782,394	22,252,948	53,035,342
Liabilities:			
Accounts Payable	276,530	193,209	469,739
Accrued Wages and Benefits Payable	273,446	39,126	312,572
Deferred Revenue	1,316,927	0	1,316,927
Accrued Interest Payable	19,992	10,013	30,005
Noncurrent liabilities:			
Due within one year	481,765	622,840	1,104,605
Due in more than one year	5,536,055	7,756,415	13,292,470
Total Liabilities	7,904,715	8,621,603	16,526,318
Net Assets:			
Invested in Capital Assets, Net of Related Debt	16,596,874	10,509,634	27,106,508
Restricted For:			
Capital Projects	2,653,193	0	2,653,193
Debt Service	479,700	0	479,700
Other Purposes	798,826	0	798,826
Unrestricted	2,349,086	3,121,711	5,470,797
Total Net Assets	\$ 22,877,679	\$ 13,631,345	\$ 36,509,024

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2004**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,216,123	\$ 60,280	\$ 65,949	\$ 0
Public Health and Welfare Services	52,500	0	0	0
Leisure Time Activities	1,302,972	595,849	0	0
Community Environment	302,336	32,401	0	0
Basic Utility Services	204,435	12,027	0	0
Transportation	553,998	11,377	471,351	2,243,026
General Government	1,327,217	2,351	0	0
Interest and Fiscal Charges	252,654	0	0	0
Total Governmental Activities	8,212,235	714,285	537,300	2,243,026
Business-Type Activities:				
Water	1,460,249	1,095,740	0	160,343
Sewer	2,077,666	2,371,211	0	386,389
Total Business-Type Activities	3,537,915	3,466,951	0	546,732
Totals	\$ 11,750,150	\$ 4,181,236	\$ 537,300	\$ 2,789,758

General Revenues:

Property Taxes
Municipal Income Taxes
Other Local Taxes
Shared Revenues
Investment Earnings
Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year
Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (4,089,894)	\$ 0	\$ (4,089,894)
(52,500)	0	(52,500)
(707,123)	0	(707,123)
(269,935)	0	(269,935)
(192,408)	0	(192,408)
2,171,756	0	2,171,756
(1,324,866)	0	(1,324,866)
(252,654)	0	(252,654)
<u>(4,717,624)</u>	<u>0</u>	<u>(4,717,624)</u>
0	(204,166)	(204,166)
<u>0</u>	<u>679,934</u>	<u>679,934</u>
<u>0</u>	<u>475,768</u>	<u>475,768</u>
<u>(4,717,624)</u>	<u>475,768</u>	<u>(4,241,856)</u>
1,190,037	0	1,190,037
4,765,042	0	4,765,042
13,061	0	13,061
623,050	0	623,050
106,428	(2,973)	103,455
40,204	0	40,204
361,662	(361,662)	0
<u>7,099,484</u>	<u>(364,635)</u>	<u>6,734,849</u>
2,381,860	111,133	2,492,993
<u>20,495,819</u>	<u>13,520,212</u>	<u>34,016,031</u>
<u>\$ 22,877,679</u>	<u>\$ 13,631,345</u>	<u>\$ 36,509,024</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2004**

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 726,028	\$ 241,174	\$ 512,633	\$ 1,763,231	\$ 3,243,066
Investments	1,397,579	0	993,161	54,862	2,445,602
Receivables:					
Taxes	1,267,320	636,885	20,681	201,098	2,125,984
Accounts	5,742	0	0	0	5,742
Intergovernmental	173,886	29,718	0	518,413	722,017
Interest	19,499	0	0	0	19,499
Inventory of Supplies, at Cost	38,490	0	0	63,693	102,183
Prepaid Items	50,854	0	0	11,440	62,294
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	0	24,825	24,825
Advance to Other Funds	40,000	0	0	0	40,000
Total Assets	\$ 3,719,398	\$ 907,777	\$ 1,526,475	\$ 2,637,562	\$ 8,791,212
Liabilities:					
Accounts Payable	\$ 60,680	\$ 1,369	\$ 2,225	\$ 10,278	\$ 74,552
Accrued Wages and Benefits Payable	111,825	34,923	0	126,698	273,446
Deferred Revenue	862,988	666,603	2,857	379,136	1,911,584
Advances from Other Funds	0	0	0	40,000	40,000
Total Liabilities	1,035,493	702,895	5,082	556,112	2,299,582
Fund Balances:					
Reserved for Encumbrances	30,680	154	471,614	254,099	756,547
Reserved for Prepaid Items	50,854	0	0	11,440	62,294
Reserved for Supplies Inventory	38,490	0	0	63,693	102,183
Reserved for Debt Service	0	0	0	494,931	494,931
Undesignated, Unreserved in:					
General Fund	2,563,881	0	0	0	2,563,881
Special Revenue Funds	0	204,728	0	281,827	486,555
Capital Projects Funds	0	0	1,049,779	884,411	1,934,190
Permanent Fund	0	0	0	91,049	91,049
Total Fund Balances	2,683,905	204,882	1,521,393	2,081,450	6,491,630
Total Liabilities and Fund Balances	\$ 3,719,398	\$ 907,777	\$ 1,526,475	\$ 2,637,562	\$ 8,791,212

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2004***

Total Governmental Fund Balances \$ 6,491,630

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

Capital Assets used in governmental activities are not resources and
therefore are not reported in the funds. 21,990,798

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds. 594,657

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds. (6,037,812)

The Internal Service Fund is used by management to charge the costs of
insurance to individual funds. The assets and liabilities of the internal
service funds is included in governmental activities in the statement of
net assets. This is the balance that is recorded in the governmental
activities. (161,594)

Net Assets of Governmental Funds \$ 22,877,679

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004**

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,883,373	\$ 537,386	\$ 161,681	\$ 386,275	\$ 5,968,715
Intergovernmental Revenues	650,209	60,089	0	1,200,505	1,910,803
Charges for Services	145,379	0	0	453,623	599,002
Licenses and Permits	34,775	0	0	0	34,775
Investment Earnings	83,695	1,832	0	1,402	86,929
Fines and Forfeitures	32,734	0	0	5,854	38,588
All Other Revenue	36,136	971	28,506	16,511	82,124
Total Revenue	5,866,301	600,278	190,187	2,064,170	8,720,936
Expenditures:					
Current:					
Security of Persons and Property	2,943,333	570,103	0	359,659	3,873,095
Public Health and Welfare Services	52,500	0	0	0	52,500
Leisure Time Activities	753,602	0	93,593	338,150	1,185,345
Community Environment	256,397	0	0	0	256,397
Basic Utility Services	0	0	204,435	0	204,435
Transportation	0	0	146,580	1,177,689	1,324,269
General Government	1,213,721	0	40,000	0	1,253,721
Debt Service:					
Principal Retirement	0	0	0	450,236	450,236
Interest and Fiscal Charges	0	0	0	255,283	255,283
Total Expenditures	5,219,553	570,103	484,608	2,581,017	8,855,281
Excess (Deficiency) of Revenues Over Expenditures	646,748	30,175	(294,421)	(516,847)	(134,345)
Other Financing Sources (Uses):					
Transfers In	0	697	808,795	729,526	1,539,018
Transfers Out	(547,697)	0	(182,526)	(447,133)	(1,177,356)
Total Other Financing Sources (Uses)	(547,697)	697	626,269	282,393	361,662
Net Change in Fund Balance	99,051	30,872	331,848	(234,454)	227,317
Fund Balances at Beginning of Year	2,598,921	174,010	1,189,545	2,319,390	6,281,866
Decrease in Inventory Reserve	(14,067)	0	0	(3,486)	(17,553)
Fund Balances End of Year	\$ 2,683,905	\$ 204,882	\$ 1,521,393	\$ 2,081,450	\$ 6,491,630

See accompanying notes to the basic financial statements

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2004***

Net Change in Fund Balances - Total Governmental Funds \$ 227,317

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 depreciation exceeded capital outlay.	1,957,395
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 fixed assets net of proceeds received.	(16,289)
Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(48,923)
The issuance of long-term debt (e.g. G.O. Bonds) 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 assets.	455,854
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	2,629
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.	(85,118)
The Internal Service Fund, is used to charge the cost of services (e.g. insurance) to individual funds, is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities.	<u>(111,005)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ 2,381,860</u></u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,789,703	\$ 4,789,703	\$ 4,798,968	\$ 9,265
Intergovernmental Revenue	787,566	787,566	803,123	15,557
Charges for Services	142,300	142,300	145,379	3,079
Licenses and Permits	33,750	33,750	34,775	1,025
Investment Earnings	88,000	88,000	95,428	7,428
Fines and Forfeitures	30,000	30,000	33,927	3,927
All Other Revenues	35,020	35,020	36,111	1,091
Total Revenues	<u>5,906,339</u>	<u>5,906,339</u>	<u>5,947,711</u>	<u>41,372</u>
Expenditures:				
Current:				
Security of Persons and Property	3,083,919	3,083,919	2,982,589	101,330
Public Health and Welfare Services	55,000	55,000	52,500	2,500
Leisure Time Activities	861,142	861,142	766,030	95,112
Community Environment	301,150	301,150	281,058	20,092
General Government	1,362,937	1,362,937	1,224,698	138,239
Total Expenditures	<u>5,664,148</u>	<u>5,664,148</u>	<u>5,306,875</u>	<u>357,273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	242,191	242,191	640,836	398,645
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	25	25
Transfers Out	(547,697)	(547,697)	(547,697)	0
Advances In	10,000	10,000	10,000	0
Advances Out	(40,000)	(40,000)	(40,000)	0
Total Other Financing Sources (Uses):	<u>(577,697)</u>	<u>(577,697)</u>	<u>(577,672)</u>	<u>25</u>
Net Change in Fund Balance	(335,506)	(335,506)	63,164	398,670
Fund Balance at Beginning of Year	1,956,905	1,956,905	1,956,905	0
Prior Year Encumbrances	53,974	53,974	53,974	0
Fund Balance at End of Year	<u>\$ 1,675,373</u>	<u>\$ 1,675,373</u>	<u>\$ 2,074,043</u>	<u>\$ 398,670</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 523,110	\$ 523,110	\$ 537,386	\$ 14,276
Intergovernmental Revenue	60,370	60,370	60,089	(281)
Investment Earnings	1,400	1,400	1,832	432
All Other Revenues	950	950	971	21
Total Revenues	<u>585,830</u>	<u>585,830</u>	<u>600,278</u>	<u>14,448</u>
Expenditures:				
Current:				
Security of Persons and Property	621,765	621,765	554,042	67,723
Total Expenditures	<u>621,765</u>	<u>621,765</u>	<u>554,042</u>	<u>67,723</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,935)	(35,935)	46,236	82,171
Other Financing Sources (Uses):				
Transfers In	600	600	697	97
Total Other Financing Sources (Uses):	<u>600</u>	<u>600</u>	<u>697</u>	<u>97</u>
Net Change in Fund Balance	(35,335)	(35,335)	46,933	82,268
Fund Balance at Beginning of Year	186,850	186,850	186,850	0
Prior Year Encumbrances	5,868	5,868	5,868	0
Fund Balance at End of Year	<u>\$ 157,383</u>	<u>\$ 157,383</u>	<u>\$ 239,651</u>	<u>\$ 82,268</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2004**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total Enterprise	
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 511,111	\$ 1,435,237	\$ 1,946,348	\$ 3,977
Investments	0	980,396	980,396	0
Receivables:				
Accounts	132,781	305,386	438,167	0
Intergovernmental	50,132	0	50,132	0
Inventory of Supplies at Cost	61,134	18,022	79,156	0
Prepaid Items	18,133	20,735	38,868	0
Total current assets	<u>773,291</u>	<u>2,759,776</u>	<u>3,533,067</u>	<u>3,977</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	647,981	2,021,092	2,669,073	0
Depreciable Capital Assets, Net	9,658,169	6,429,046	16,087,215	0
Total noncurrent assets	<u>10,306,150</u>	<u>8,450,138</u>	<u>18,756,288</u>	<u>0</u>
Total Assets	<u>11,079,441</u>	<u>11,209,914</u>	<u>22,289,355</u>	<u>3,977</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	52,493	140,716	193,209	201,978
Accrued Wages and Benefits Payable	20,904	18,222	39,126	0
Accrued Interest Payable	10,013	0	10,013	0
General Obligation Bonds Payable - Current	135,000	0	135,000	0
OWDA Loans Payable - Current	0	476,992	476,992	0
Compensated Absences Payable - Current	5,167	5,681	10,848	0
Total current liabilities	<u>223,577</u>	<u>641,611</u>	<u>865,188</u>	<u>201,978</u>
Noncurrent liabilities:				
General Obligation Bonds Payable	2,475,000	0	2,475,000	0
OWDA Loans Payable	0	5,159,662	5,159,662	0
Compensated Absences Payable	73,411	48,342	121,753	0
Total noncurrent liabilities	<u>2,548,411</u>	<u>5,208,004</u>	<u>7,756,415</u>	<u>0</u>
Total Liabilities	<u>2,771,988</u>	<u>5,849,615</u>	<u>8,621,603</u>	<u>201,978</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	7,696,150	2,813,484	10,509,634	0
Unrestricted	611,303	2,546,815	3,158,118	(198,001)
Total net assets	<u>\$ 8,307,453</u>	<u>\$ 5,360,299</u>	<u>13,667,752</u>	<u>\$ (198,001)</u>
Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.			<u>(36,407)</u>	
Net Assets of Business-type Activities			<u>\$ 13,631,345</u>	

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004**

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total Enterprise	
Operating Revenues:				
Charges for Services	\$ 1,094,671	\$ 2,354,901	\$ 3,449,572	\$ 735,640
Other Operating Revenue	1,069	16,310	17,379	80,940
Total Operating Revenues	<u>1,095,740</u>	<u>2,371,211</u>	<u>3,466,951</u>	<u>816,580</u>
Operating Expenses:				
Personal Services	518,748	617,467	1,136,215	952,951
Contractual Services	305,002	756,155	1,061,157	0
Materials and Supplies	147,484	94,873	242,357	0
Depreciation	351,643	370,684	722,327	0
Total Operating Expenses	<u>1,322,877</u>	<u>1,839,179</u>	<u>3,162,056</u>	<u>952,951</u>
Operating Income (Loss)	(227,137)	532,032	304,895	(136,371)
Non-operating Revenue (Expenses):				
Intergovernmental Revenues	4,375	0	4,375	0
Investment Earnings	0	(2,973)	(2,973)	0
Interest and Fiscal Charges	(125,348)	(225,145)	(350,493)	0
Total Non-operating Revenues (Expenses)	<u>(120,973)</u>	<u>(228,118)</u>	<u>(349,091)</u>	<u>0</u>
Income (Loss) Before Transfers and Contributions	(348,110)	303,914	(44,196)	(136,371)
Capital Contributions	155,968	386,389	542,357	0
Transfers Out	(361,662)	0	(361,662)	0
Change in Net Assets	(553,804)	690,303	136,499	(136,371)
Net Assets Beginning of Year	<u>8,861,257</u>	<u>4,669,996</u>	<u>13,531,253</u>	<u>(61,630)</u>
Net Assets End of Year	<u>\$ 8,307,453</u>	<u>\$ 5,360,299</u>	<u>13,667,752</u>	<u>\$ (198,001)</u>
			Change in Net Assets - Total Enterprise Funds	136,499
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(25,366)
			Change in Net Assets - Business-type Activities	<u>\$ 111,133</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, 2004**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total Enterprise	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,093,762	\$2,333,903	\$3,427,665	\$735,640
Cash Payments for Goods and Services	(451,784)	(765,604)	(1,217,388)	0
Cash Payments to Employees	(511,843)	(622,434)	(1,134,277)	(841,653)
Other Operating Cash Receipts	1,069	16,598	17,667	80,940
Net Cash Provided (Used) by Operating Activities	131,204	962,463	1,093,667	(25,073)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Intergovernmental Grants	4,375	0	4,375	0
Transfers Out from Other Funds	(361,662)	0	(361,662)	0
Net Cash Provided by Noncapital Financing Activities	(357,287)	0	(357,287)	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
OWDA Loan Proceeds	0	1,696,181	1,696,181	0
Principal Paid on General Obligation Bonds	(135,000)	0	(135,000)	0
Acquisition and Construction of Assets	(398,258)	(1,528,528)	(1,926,786)	0
Principal Paid on Ohio Water Development Authority Loans	0	(454,007)	(454,007)	0
Principal Paid on Installment Loans	0	(24,777)	(24,777)	0
Interest Paid on All Debt	(125,820)	(201,434)	(327,254)	0
Net Cash Used for Capital and Related Financing Activities	(659,078)	(512,565)	(1,171,643)	0
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	0	(1,029,444)	(1,029,444)	0
Receipts of Interest	0	46,075	46,075	0
Net Cash Provided by Investing Activities	0	(983,369)	(983,369)	0
Net Increase (Decrease) in Cash and Cash Equivalents	(885,161)	(533,471)	(1,418,632)	(25,073)
Cash and Cash Equivalents at Beginning of Year	1,396,272	1,968,708	3,364,980	29,050
Cash and Cash Equivalents at End of Year	\$511,111	\$1,435,237	\$1,946,348	\$3,977
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	(\$227,137)	\$532,032	\$304,895	(\$136,371)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	351,643	370,684	722,327	0
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(909)	(20,710)	(21,619)	0
(Increase) Decrease in Inventory	(4,152)	80	(4,072)	0
Increase in Prepaid Items	1,614	1,774	3,388	0
Increase in Accounts Payable	5,003	84,148	89,151	111,298
Decrease in Accrued Wages and Benefits Payable	2,901	1,208	4,109	0
Increase in Intergovernmental Payable	(1,169)	0	(1,169)	0
Increase in Compensated Absences Payable	3,410	(6,753)	(3,343)	0
Total Adjustments	358,341	430,431	788,772	111,298
Net Cash Provided (Used) by Operating Activities	\$131,204	\$962,463	\$1,093,667	(\$25,073)

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2004, the Water and Sewer Funds had outstanding liabilities of \$26,361, and \$14,288, respectively, for the purchase of certain capital assets. During 2004, the Water and Sewer Funds received \$155,968 and \$386,389, respectively, of capital assets donated by developers. The fair value of investments reported in the Sewer fund decreased by \$49,048 during 2004.

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Assets
Fiduciary Fund
December 31, 2004**

	Private Purpose Trust
Assets:	
Cash and Cash Equivalents	\$ 3,631
Total Assets	<u>3,631</u>
Liabilities:	
Total Liabilities	<u>0</u>
Net Assets:	
Unrestricted	3,631
Total Net Assets	<u>\$ 3,631</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

***Statement of Changes in Net Assets
Fiduciary Fund
For the Year Ended December 31, 2004***

	Private Purpose Trust
Additions:	
Contributions	\$ 1,765
Total Additions	<u>1,765</u>
Deductions:	
Total Deductions	<u>0</u>
Change in Net Assets	1,765
Net Assets at Beginning of Year	<u>1,866</u>
Net Assets End of Year	<u>\$ 3,631</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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, 2004 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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.

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

Fiduciary funds are reported using the economic resources measurement focus.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2004 but which are not intended to finance 2004 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2004.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. During 2004, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	\$99,051	\$30,872
Increase (Decrease):		
Accrued Revenues at December 31, 2004 received during 2005	(634,449)	0
Accrued Revenues at December 31, 2003 received during 2004	685,884	0
Accrued Expenditures at December 31, 2004 paid during 2005	172,505	36,292
Accrued Expenditures at December 31, 2003 paid during 2004	(198,723)	(18,708)
2003 Prepays for 2004	48,324	0
2004 Prepays for 2005	(50,854)	0
Outstanding Encumbrances	(58,574)	(1,523)
Budget Basis	<u>\$63,164</u>	<u>\$46,933</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2004, cash and cash equivalents included amounts in demand deposits and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the general purpose financial statements.

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

G. Investments

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

The City has invested funds in the STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

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, 2004, 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, 2004***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

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

2. Property, Plant and Equipment – Business Type Activities

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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:

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

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

K. Long-Term Obligations

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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

M. Restricted Assets

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

N. Pensions

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

O. Operating Revenues and Expenses

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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 Professional Claims Management, Inc., which provides claims review and processing services. Each City fund is charged for its proportionate share of covered employees. The City records a liability in accounts payable for incurred but unreported claims at year end based upon an analysis of historical claims and expenses.

Q. Interfund Activity

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

R. Reservations of Fund Balance

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

S. Net Assets

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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

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

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

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

Delinquent Income Tax Revenue	\$95,219
Delinquent Property Tax Revenue	119,694
Interest Income	19,499
Shared Revenues	360,245
	<hr/>
	\$594,657

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$5,370,000)
Installment Loans Payable	(10,674)
Capital Leases Payable	(13,250)
Accrued Interest on Long-Term Debt	(19,992)
Compensated Absences Payable	(623,896)
	<hr/>
	(\$6,037,812)

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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

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

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

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

Capital Outlay	\$3,061,800
Depreciation Expense	<u>(1,104,405)</u>
	\$1,957,395

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$15,853
Decrease in Delinquent Property Tax	(16,428)
Decrease in Shared Revenue	(67,847)
Increase in Interest Income	<u>19,499</u>
	(\$48,923)

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

General Obligation Bond Principal	\$405,000
Installment Loan Principal	45,236
Capital Lease Payments	<u>5,618</u>
	\$455,854

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$67,565)
Decrease in supplies inventory	<u>(17,553)</u>
	(\$85,118)

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2004 of \$29,236 in the Swimming Pool Fund, \$56,038 in the Fire Pension Fund, \$38,325 in the Police Pension Fund (special revenue funds) and of \$198,001 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

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

- 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).

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. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*," collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- | | |
|------------|---|
| Category 1 | Insured or collateralized with securities held by the City or by its agent in the City's name. |
| Category 2 | Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. |
| Category 3 | Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. |

Investments:

- | | |
|------------|--|
| Category 1 | Insured or registered, with securities held by the City or its agent in the City's name. |
| Category 2 | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. |
| Category 3 | Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name. |

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

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

A. Deposits

At year end the carrying amount of the City's deposits was \$5,171,122 and the bank balance was \$5,483,095. Federal depository insurance covered \$200,000 of the bank balance, and all remaining deposits were classified as Category 3.

B. Investments

The City's investments at December 31, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 2</u>	<u>Fair Value</u>
U.S. Government Securities	\$2,425,998	\$2,425,998
Total Categorized Investments	<u>2,425,998</u>	<u>2,425,998</u>
<u>Non-Categorized Investments</u>		
STAR Ohio	N/A	1,050,725
Total Non-Categorized	<u>N/A</u>	<u>1,050,725</u>
Total Investments	<u>\$2,425,998</u>	<u>\$3,476,723</u>

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$24,825 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 financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio and certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Statement of Net Assets	\$5,221,847	\$3,425,998
Investments:		
STAR Ohio	(1,050,725)	1,050,725
Certificates of Deposit	<u>1,000,000</u>	<u>(1,000,000)</u>
Per GASB Statement No. 3	<u>\$5,171,122</u>	<u>\$3,476,723</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the City and used in business. Real property taxes (other than public utility) collected during 2004 were levied after October 1, 2003 on assessed values as of January 1, 2003, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2004 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2004 levy was based was \$261,138,600. This amount constitutes \$213,030,200 in real property assessed value, \$6,136,570 in public utility assessed value and \$41,971,830 in tangible personal property assessed value.

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

B. Income Tax

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 5 - TAXES (Continued)

B. Income Tax (Continued)

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2004 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2004:

Fund	Transfer In	Transfer Out
Governmental Activities:		
General Fund	\$0	\$547,697
Fire Levy Fund	697	0
Capital Improvement Fund	808,795	182,526
Other Governmental Funds	729,526	447,133
Total Governmental Transfers	<u>1,539,018</u>	<u>1,177,356</u>
Business Type Activities:		
Water Fund	0	361,662
Total Business Type Transfers	<u>0</u>	<u>361,662</u>
Totals	<u><u>\$1,539,018</u></u>	<u><u>\$1,539,018</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; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

<u>Advances to/from Other Funds</u>	<u>Advances to</u>	<u>Advances from</u>
General Fund	\$40,000	\$0
Other Governmental Funds	0	40,000
Totals	<u>\$40,000</u>	<u>\$40,000</u>

On the Statement of Net Assets, the Governmental Activities reported an internal balance at December 31, 2004 of \$36,407 which was offset in the Business-Type Activities by the same amount. The Advance balance represents a loan to assist with cash flow issues.

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2004:

Historical Cost:

<u>Class</u>	<u>December 31, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2004</u>
Non-Depreciable Capital Assets:				
Land	\$5,710,931	\$227,791	\$0	\$5,938,722
Construction in Progress	26,700	6,650	0	33,350
Subtotal	<u>5,737,631</u>	<u>234,441</u>	<u>0</u>	<u>5,972,072</u>
Depreciable Capital Assets:				
Buildings	4,759,198	29,718	0	4,788,916
Improvements other than Buildings	2,807,348	97,872	0	2,905,220
Machinery and Equipment	6,094,911	27,288	(22,136)	6,100,063
Infrastructure	11,171,863	2,672,481	0	13,844,344
Subtotal	<u>24,833,320</u>	<u>2,827,359</u>	<u>(22,136)</u>	<u>27,638,543</u>
Total Cost	<u>\$30,570,951</u>	<u>\$3,061,800</u>	<u>(\$22,136)</u>	<u>\$33,610,615</u>

Accumulated Depreciation:

<u>Class</u>	<u>December 31, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2004</u>
Buildings	(\$1,695,558)	(\$112,754)	\$0	(\$1,808,312)
Improvements other than Buildings	(471,462)	(132,500)	0	(603,962)
Machinery and Equipment	(3,362,529)	(389,150)	5,847	(3,745,832)
Infrastructure	(4,991,710)	(470,001)	0	(5,461,711)
Total Depreciation	<u>(\$10,521,259)</u>	<u>(\$1,104,405) *</u>	<u>\$5,847</u>	<u>(\$11,619,817)</u>
Net Value:	<u>\$20,049,692</u>			<u>\$21,990,798</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 9 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$250,292
Leisure Time Activities	197,225
Community Environment	45,065
Transportation	582,093
General Government	29,730
Total Depreciation Expense	<u>\$1,104,405</u>

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2004:

Historical Cost:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Non-Depreciable Capital Assets:				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	0	2,271,699	0	2,271,699
Subtotal	397,374	2,271,699	0	2,669,073
Depreciable Capital Assets:				
Buildings	12,715,457	0	0	12,715,457
Improvements Other Than Buildings	1,510,298	0	0	1,510,298
Machinery and Equipment	4,799,725	18,289	0	4,818,014
Infrastructure	11,381,215	0	0	11,381,215
Subtotal	30,406,695	18,289	0	30,424,984
Total Cost	<u>\$30,804,069</u>	<u>\$2,289,988</u>	<u>\$0</u>	<u>\$33,094,057</u>

Accumulated Depreciation:

Class	December 31, 2003	Additions	Deletions	December 31, 2004
Buildings	(\$3,414,966)	(\$321,332)	\$0	(\$3,736,298)
Improvements Other Than Buildings	(453,423)	(74,892)	0	(528,315)
Machinery and Equipment	(3,744,123)	(99,931)	0	(3,844,054)
Infrastructure	(6,002,930)	(226,172)	0	(6,229,102)
Total Depreciation	<u>(\$13,615,442)</u>	<u>(\$722,327)</u>	<u>\$0</u>	<u>(\$14,337,769)</u>
Net Value:	<u>\$17,188,627</u>			<u>\$18,756,288</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2004 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.55% to fund the pension and 4.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2004, 2003 and 2002 were \$363,309, \$360,525 and \$347,209, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year 2004 was 4.0% of covered payroll which amounted to \$107,250.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,885. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2003 is \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2004, 2003 and 2002 were \$194,543, \$199,796 and \$204,440 for police and \$231,547, \$222,767 and \$218,965 for firefighters, respectively, which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2004 covered payroll that was used to fund postemployment health care benefits was \$77,318 representing 7.75% of covered payroll for police and \$74,770 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2003, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,662 for police and 10,474 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 11 – COMPENSATED ABSENCES

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

At December 31, 2004, the City's accumulated, unpaid compensated absences amounted to \$756,497. Of this amount, \$623,896 is recorded as Governmental Activities on the Entity Wide Statement of Net Assets (\$44,805 is reported as due within one year), \$132,601 is recorded as Business-type activities (\$10,848 is reported as due within one year).

At December 31, 2004 the liability recorded as Governmental Activities within the Statement of Net Assets representing unpaid vacation time, sick leave and compensatory time was as follows:

	<u>Hours</u>	<u>Amount</u>
Sick Leave	62,479	\$579,091
Vacation / Compensatory Time	2,461	44,805
Total	<u>64,940</u>	<u>\$623,896</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2004 were as follows:

			Balance December 31, 2003	Additions	(Reductions)	Balance December 31, 2004	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
3.70- 4.25%	30th Street Improvement	2005	\$390,000	\$0	(\$190,000)	\$200,000	\$200,000
3.70- 4.75%	Fire Station Improvement	2018	1,565,000	0	(75,000)	1,490,000	80,000
4.25- 5.05%	Swimming Pool Improvement	2022	1,785,000	0	(65,000)	1,720,000	65,000
3.00- 5.00%	State Route 79 Improvement	2023	2,035,000	0	(75,000)	1,960,000	75,000
	Total General Obligation Bonds		<u>5,775,000</u>	<u>0</u>	<u>(405,000)</u>	<u>5,370,000</u>	<u>420,000</u>
	Installment Loan Payable		55,910	0	(45,236)	10,674	10,674
	Capital Leases		18,868	0	(5,618)	13,250	6,286
	Compensated Absences		556,331	623,896	(556,331)	623,896	44,805
	Total Governmental Long-Term Debt		<u>\$6,406,109</u>	<u>\$623,896</u>	<u>(\$1,012,185)</u>	<u>\$6,017,820</u>	<u>\$481,765</u>
Business Type Activities:							
General Obligation Bond:							
3.70- 4.75%	Water Improvement	2018	\$2,745,000	\$0	(\$135,000)	\$2,610,000	\$135,000
Ohio Water Development Authority Loans:							
5.00%	Loan SRF-112	2012	3,410,756	0	(356,373)	3,054,383	374,415
5.00%	Loan SRF-114	2010	730,013	0	(97,634)	632,379	102,577
3.76%	Loan SRF-4011	2018	230,000	1,719,892	0	1,949,892	0
	Total OWDA Loans		<u>4,370,769</u>	<u>1,719,892</u>	<u>(454,007)</u>	<u>5,636,654</u>	<u>476,992</u>
	Installment Loan Payable		24,777	0	(24,777)	0	0
	Compensated Absences		135,944	132,601	(135,944)	132,601	10,848
	Total Business Type Long-Term Debt		<u>\$7,276,490</u>	<u>\$1,852,493</u>	<u>(\$749,728)</u>	<u>\$8,379,255</u>	<u>\$622,840</u>

Principal and interest requirements to retire long-term debt outstanding at December 31, 2004 were as follows:

Years	General Obligation Bonds		Installment Loans		OWDA Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$555,000	\$356,387	\$10,674	\$307	\$476,992	\$178,450
2006	380,000	333,250	0	0	501,139	154,302
2007	385,000	317,459	0	0	526,509	128,932
2008	400,000	301,862	0	0	553,164	102,277
2009	415,000	285,495	0	0	581,168	74,274
2010-2014	2,365,000	1,145,559	0	0	2,997,682	63,688
2015-2019	2,545,000	557,218	0	0	0	0
2020-2023	935,000	106,827	0	0	0	0
Totals	<u>\$7,980,000</u>	<u>\$3,404,057</u>	<u>\$10,674</u>	<u>\$307</u>	<u>\$5,636,654</u>	<u>\$701,923</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2004**

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

A. Defeased Debt

In August 1998, the City defeased \$1,300,000 of General Obligation Bonds for 30th Street Improvements dated November 1, 1989 (the "1989 Bonds") through the issuance of \$1,420,000 of General Obligation Bonds for 30th Street Improvements (the "1998 Bonds"). The net proceeds of the 1998 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States 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 had an outstanding balance of \$205,000 at December 31, 2004 are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

NOTE 13 - CAPITAL LEASES

The City leases two copiers and a mailing machine under capital leases. The cost of the equipment obtained under lease agreements (\$28,271) are included in the Governmental Activities capital assets as machinery and equipment. The liability for these leases are recorded on the Statement of Net Assets as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2004:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2005	\$7,355
2006	5,220
2007	<u>2,274</u>
Minimum Lease Payments	14,849
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(1,599)</u>
Present value of minimum lease payments	<u><u>\$13,250</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 14 - RISK MANAGEMENT

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

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

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, Professional Claims Management, Inc., which monitors all claim payments. Excess loss coverage, provided by the HCC Life Insurance Company, becomes effective after \$30,000 per year per specific claim. There is a lifetime maximum coverage per person of \$2,000,000.

The claims liability of \$201,978 reported in the fund at December 31, 2004 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 2003 and 2004 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>
2003	\$64,216	\$478,909	(\$452,445)	\$90,680
2004	90,680	952,951	(841,653)	201,978

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2004***

NOTE 15 - CONTINGENCIES

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

NOTE 16 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, 2004, the City had the following significant contractual commitments outstanding:

<u>Project</u>	<u>Remaining Contractual Commitment</u>
Sludge Handling Improvements	\$1,139,444
Heath/Dorsey Mill Rd Alignment	384,369
County Rd. 0000	227,074
Port Authority Waterline	20,792
Irvingwick Dr/Franklin Ave Improvements	20,315
Recreation Trail	12,350
Total	<u>\$1,804,344</u>



*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund

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

State Highway Fund

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

County \$5 Permissive License Tax Fund

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

Swimming Pool Fund

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

Fire Pension Fund

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

Police Pension Fund

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

Law Enforcement Trust Fund

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

Enforcement and Education Fund

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

D.A.R.E. Fund

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

(Continued)

Debt Service Fund

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

General Obligation Debt Service Fund

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

Capital Projects Fund

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

County Road Fund

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

Forry Preserve Fund

To account for financial resources used to purchase property for a nature preserve using grant monies secured from the Ohio Public Works Commission. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Irving Wick Drive Improvement Fund

To account for financial resources used for the improvement of Irving Wick Drive.

Blackfoot Trail Replacement Fund

To account for financial resources used for the replacement of the Blackfoot Trail.

Permanent Fund

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

Conn Memorial Trust Fund

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

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 377,997	\$ 883,823	\$ 465,224	\$ 36,187	\$ 1,763,231
Investments	0	0	0	54,862	54,862
Receivables:					
Taxes	166,630	0	34,468	0	201,098
Intergovernmental	270,436	247,977	0	0	518,413
Inventory of Supplies, at Cost	63,693	0	0	0	63,693
Prepaid Items	11,440	0	0	0	11,440
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	24,825	0	0	0	24,825
Total Assets	\$ 915,021	\$ 1,131,800	\$ 499,692	\$ 91,049	\$ 2,637,562
Liabilities:					
Accounts Payable	\$ 10,278	\$ 0	\$ 0	\$ 0	\$ 10,278
Accrued Wages and Benefits Payable	126,698	0	0	0	126,698
Deferred Revenue	374,375	0	4,761	0	379,136
Advances from Other Funds	40,000	0	0	0	40,000
Total Liabilities	551,351	0	4,761	0	556,112
Fund Balances:					
Reserved for Encumbrances	6,710	247,389	0	0	254,099
Reserved for Prepaid Items	11,440	0	0	0	11,440
Reserved for Supplies Inventory	63,693	0	0	0	63,693
Reserved for Debt Service	0	0	494,931	0	494,931
Undesignated/Unreserved	281,827	884,411	0	91,049	1,257,287
Total Fund Balances	363,670	1,131,800	494,931	91,049	2,081,450
Total Liabilities and Fund Balances	\$ 915,021	\$ 1,131,800	\$ 499,692	\$ 91,049	\$ 2,637,562

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Permanent Fund - Conn Memorial Trust	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 141,134	\$ 0	\$ 245,141	\$ 0	\$ 386,275
Intergovernmental Revenues	517,899	682,606	0	0	1,200,505
Charges for Services	451,723	0	0	1,900	453,623
Investment Earnings	0	0	0	1,402	1,402
Fines and Forfeitures	5,854	0	0	0	5,854
All Other Revenue	16,511	0	0	0	16,511
Total Revenue	<u>1,133,121</u>	<u>682,606</u>	<u>245,141</u>	<u>3,302</u>	<u>2,064,170</u>
Expenditures:					
Current:					
Security of Persons and Property	359,659	0	0	0	359,659
Leisure Time Activities	338,150	0	0	0	338,150
Transportation	776,001	401,688	0	0	1,177,689
Debt Service:					
Principal Retirement	110,236	0	340,000	0	450,236
Interest and Fiscal Charges	87,208	0	168,075	0	255,283
Total Expenditures	<u>1,671,254</u>	<u>401,688</u>	<u>508,075</u>	<u>0</u>	<u>2,581,017</u>
Excess (Deficiency) of Revenues Over Expenditures	(538,133)	280,918	(262,934)	3,302	(516,847)
Other Financing Sources (Uses):					
Transfers In	547,000	182,526	0	0	729,526
Transfers Out	(85,019)	(362,114)	0	0	(447,133)
Total Other Financing Sources (Uses)	<u>461,981</u>	<u>(179,588)</u>	<u>0</u>	<u>0</u>	<u>282,393</u>
Net Change in Fund Balance	(76,152)	101,330	(262,934)	3,302	(234,454)
Fund Balances at Beginning of Year	443,308	1,030,470	757,865	87,747	2,319,390
Decrease in Inventory Reserve	(3,486)	0	0	0	(3,486)
Fund Balances End of Year	<u>\$ 363,670</u>	<u>\$ 1,131,800</u>	<u>\$ 494,931</u>	<u>\$ 91,049</u>	<u>\$ 2,081,450</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Assets:				
Cash and Cash Equivalents	\$ 231,410	\$ 35,994	\$ 24,001	\$ 3,249
Receivables:				
Taxes	0	0	0	0
Intergovernmental	177,728	14,410	70,260	0
Inventory of Supplies, at Cost	60,224	0	0	3,469
Prepaid Items	6,399	0	0	5,041
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	24,825	0
Total Assets	<u>\$ 475,761</u>	<u>\$ 50,404</u>	<u>\$ 119,086</u>	<u>\$ 11,759</u>
Liabilities:				
Accounts Payable	\$ 8,797	\$ 1,037	\$ 0	\$ 444
Accrued Wages and Benefits Payable	19,610	0	0	551
Deferred Revenue	118,485	9,607	71,665	0
Advances from Other Funds	0	0	0	40,000
Total Liabilities	<u>146,892</u>	<u>10,644</u>	<u>71,665</u>	<u>40,995</u>
Fund Balances:				
Reserved for Encumbrances	6,710	0	0	0
Reserved for Prepaid Items	6,399	0	0	5,041
Reserved for Supplies Inventory	60,224	0	0	3,469
Undesignated/Unreserved	255,536	39,760	47,421	(37,746)
Total Fund Balances	<u>328,869</u>	<u>39,760</u>	<u>47,421</u>	<u>(29,236)</u>
Total Liabilities and Fund Balances	<u>\$ 475,761</u>	<u>\$ 50,404</u>	<u>\$ 119,086</u>	<u>\$ 11,759</u>

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 1,676	\$ 10,498	\$ 29,069	\$ 24,533	\$ 17,567	\$ 377,997
83,315	83,315	0	0	0	166,630
3,994	3,994	0	50	0	270,436
0	0	0	0	0	63,693
0	0	0	0	0	11,440
0	0	0	0	0	24,825
<u>\$ 88,985</u>	<u>\$ 97,807</u>	<u>\$ 29,069</u>	<u>\$ 24,583</u>	<u>\$ 17,567</u>	<u>\$ 915,021</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,278
57,714	48,823	0	0	0	126,698
87,309	87,309	0	0	0	374,375
0	0	0	0	0	40,000
<u>145,023</u>	<u>136,132</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>551,351</u>
0	0	0	0	0	6,710
0	0	0	0	0	11,440
0	0	0	0	0	63,693
<u>(56,038)</u>	<u>(38,325)</u>	<u>29,069</u>	<u>24,583</u>	<u>17,567</u>	<u>281,827</u>
<u>(56,038)</u>	<u>(38,325)</u>	<u>29,069</u>	<u>24,583</u>	<u>17,567</u>	<u>363,670</u>
<u>\$ 88,985</u>	<u>\$ 97,807</u>	<u>\$ 29,069</u>	<u>\$ 24,583</u>	<u>\$ 17,567</u>	<u>\$ 915,021</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2004**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	358,820	29,093	108,939	0
Charges for Services	0	0	0	451,723
Fines and Forfeitures	0	0	0	0
All Other Revenue	2,754	0	0	1,200
Total Revenue	361,574	29,093	108,939	452,923
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	0	338,150
Transportation	732,947	6,054	37,000	0
Debt Service:				
Principal Retirement	45,236	0	0	65,000
Interest and Fiscal Charges	2,416	0	0	84,792
Total Expenditures	780,599	6,054	37,000	487,942
Excess (Deficiency) of Revenues Over Expenditures	(419,025)	23,039	71,939	(35,019)
Other Financing Sources (Uses):				
Transfers In	345,000	0	0	0
Transfers Out	0	0	(85,019)	0
Total Other Financing Sources (Uses)	345,000	0	(85,019)	0
Net Change in Fund Balance	(74,025)	23,039	(13,080)	(35,019)
Fund Balances at Beginning of Year	406,394	16,721	60,501	5,769
Increase (Decrease) in Inventory Reserve	(3,500)	0	0	14
Fund Balances End of Year	\$ 328,869	\$ 39,760	\$ 47,421	\$ (29,236)

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 70,567	\$ 70,567	\$ 0	\$ 0	\$ 0	\$ 141,134
8,023	8,023	0	5,001	0	517,899
0	0	0	0	0	451,723
0	0	3,676	2,121	57	5,854
0	0	3,200	0	9,357	16,511
<u>78,590</u>	<u>78,590</u>	<u>6,876</u>	<u>7,122</u>	<u>9,414</u>	<u>1,133,121</u>
146,962	188,090	17,009	4,627	2,971	359,659
0	0	0	0	0	338,150
0	0	0	0	0	776,001
0	0	0	0	0	110,236
0	0	0	0	0	87,208
<u>146,962</u>	<u>188,090</u>	<u>17,009</u>	<u>4,627</u>	<u>2,971</u>	<u>1,671,254</u>
(68,372)	(109,500)	(10,133)	2,495	6,443	(538,133)
77,000	125,000	0	0	0	547,000
0	0	0	0	0	(85,019)
<u>77,000</u>	<u>125,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>461,981</u>
8,628	15,500	(10,133)	2,495	6,443	(76,152)
(64,666)	(53,825)	39,202	22,088	11,124	443,308
0	0	0	0	0	(3,486)
<u>\$ (56,038)</u>	<u>\$ (38,325)</u>	<u>\$ 29,069</u>	<u>\$ 24,583</u>	<u>\$ 17,567</u>	<u>\$ 363,670</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004**

	<u>County Road</u>	<u>Irving Wick Drive Improvement</u>	<u>Blackfoot Trail Replacement</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 404,151	\$ 479,672	\$ 0	\$ 883,823
Receivables:				
Intergovernmental	94,378	57,586	96,013	247,977
Total Assets	<u>\$ 498,529</u>	<u>\$ 537,258</u>	<u>\$ 96,013</u>	<u>\$ 1,131,800</u>
Liabilities:				
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:				
Reserved for Encumbrances	227,074	20,315	0	247,389
Undesignated/Unreserved	271,455	516,943	96,013	884,411
Total Fund Balances	<u>498,529</u>	<u>537,258</u>	<u>96,013</u>	<u>1,131,800</u>
Total Liabilities and Fund Balances	<u>\$ 498,529</u>	<u>\$ 537,258</u>	<u>\$ 96,013</u>	<u>\$ 1,131,800</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004**

	<u>County Road</u>	<u>Forry Preserve</u>	<u>Irving Wick Drive Improvement</u>	<u>Blackfoot Trail Replacement</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:					
Intergovernmental Revenues	\$ 271,455	\$ 0	\$ 315,138	\$ 96,013	\$ 682,606
Total Revenue	<u>271,455</u>	<u>0</u>	<u>315,138</u>	<u>96,013</u>	<u>682,606</u>
Expenditures:					
Current:					
Transportation	122,463	0	96,699	182,526	401,688
Total Expenditures	<u>122,463</u>	<u>0</u>	<u>96,699</u>	<u>182,526</u>	<u>401,688</u>
Excess (Deficiency) of Revenues Over Expenditures	148,992	0	218,439	(86,513)	280,918
Other Financing Sources (Uses):					
Transfers In	0	0	0	182,526	182,526
Transfers Out	0	(362,114)	0	0	(362,114)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(362,114)</u>	<u>0</u>	<u>182,526</u>	<u>(179,588)</u>
Net Change in Fund Balance	148,992	(362,114)	218,439	96,013	101,330
Fund Balances at Beginning of Year	<u>349,537</u>	<u>362,114</u>	<u>318,819</u>	<u>0</u>	<u>1,030,470</u>
Fund Balances End of Year	<u>\$ 498,529</u>	<u>\$ 0</u>	<u>\$ 537,258</u>	<u>\$ 96,013</u>	<u>\$ 1,131,800</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,789,703	\$ 4,789,703	\$ 4,798,968	\$ 9,265
Intergovernmental Revenues	787,566	787,566	803,123	15,557
Charges for Services	142,300	142,300	145,379	3,079
Licenses and Permits	33,750	33,750	34,775	1,025
Investment Earnings	88,000	88,000	95,428	7,428
Fines and Forfeitures	30,000	30,000	33,927	3,927
All Other Revenues	35,020	35,020	36,111	1,091
Total Revenues	<u>5,906,339</u>	<u>5,906,339</u>	<u>5,947,711</u>	<u>41,372</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,272,974	1,272,974	1,260,903	12,071
Materials and Supplies	40,759	40,759	40,367	392
Contractual Services	147,801	147,801	120,270	27,531
Capital Outlay	4,000	4,000	3,629	371
Total Police	<u>1,465,534</u>	<u>1,465,534</u>	<u>1,425,169</u>	<u>40,365</u>
Communications:				
Personal Services	435,835	435,835	430,391	5,444
Contractual Services	46,131	46,131	36,010	10,121
Total Communications	<u>481,966</u>	<u>481,966</u>	<u>466,401</u>	<u>15,565</u>
Fire:				
Personal Services	877,260	877,260	867,007	10,253
Materials and Supplies	70,284	70,284	64,772	5,512
Contractual Services	122,875	122,875	94,593	28,282
Capital Outlay	1,000	1,000	428	572
Total Fire	<u>1,071,419</u>	<u>1,071,419</u>	<u>1,026,800</u>	<u>44,619</u>
Street Lighting:				
Contractual Services	65,000	65,000	64,219	781
Total Street Lighting	<u>65,000</u>	<u>65,000</u>	<u>64,219</u>	<u>781</u>
Total Security of Persons and Property	<u>3,083,919</u>	<u>3,083,919</u>	<u>2,982,589</u>	<u>101,330</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, 2004***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	55,000	55,000	52,500	2,500
Total Public Health and Welfare Services	<u>55,000</u>	<u>55,000</u>	<u>52,500</u>	<u>2,500</u>
Leisure Time Activities:				
Parks:				
Personal Services	471,730	471,730	465,744	5,986
Materials and Supplies	51,480	51,480	36,216	15,264
Contractual Services	292,432	292,432	238,864	53,568
Other Expenditures	4,500	4,500	871	3,629
Capital Outlay	41,000	41,000	24,335	16,665
Total Leisure Time Activities	<u>861,142</u>	<u>861,142</u>	<u>766,030</u>	<u>95,112</u>
Community Environment:				
Planning and Zoning:				
Personal Services	139,550	139,550	133,652	5,898
Materials and Supplies	2,500	2,500	536	1,964
Contractual Services	140,650	140,650	129,567	11,083
Other Expenditures	250	250	0	250
Capital Outlay	18,200	18,200	17,303	897
Total Community Environment	<u>301,150</u>	<u>301,150</u>	<u>281,058</u>	<u>20,092</u>
General Government:				
Mayor:				
Personal Services	72,035	72,035	71,861	174
Materials and Supplies	500	500	186	314
Contractual Services	2,075	2,075	1,203	872
Total Mayor	<u>74,610</u>	<u>74,610</u>	<u>73,250</u>	<u>1,360</u>
City Council:				
Personal Services	37,800	37,800	37,800	0
Materials and Supplies	250	250	250	0
Contractual Services	1,050	1,050	81	969
Total City Council	<u>39,100</u>	<u>39,100</u>	<u>38,131</u>	<u>969</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, 2004***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	101,390	101,390	101,390	0
Contractual Services	49,700	49,700	46,967	2,733
Total Law Director	<u>151,090</u>	<u>151,090</u>	<u>148,357</u>	<u>2,733</u>
Clerk of Council:				
Personal Services	36,058	36,058	35,994	64
Materials and Supplies	600	600	379	221
Total Clerk of Council	<u>36,658</u>	<u>36,658</u>	<u>36,373</u>	<u>285</u>
Auditor:				
Personal Services	42,500	42,500	42,500	0
Materials and Supplies	600	600	434	166
Contractual Services	1,950	1,950	662	1,288
Total Auditor	<u>45,050</u>	<u>45,050</u>	<u>43,596</u>	<u>1,454</u>
General Administrative:				
Personal Services	242,225	242,225	229,318	12,907
Materials and Supplies	8,500	8,500	4,324	4,176
Contractual Services	270,459	270,459	212,936	57,523
Capital Outlay	2,000	2,000	1,145	855
Total General Administrative	<u>523,184</u>	<u>523,184</u>	<u>447,723</u>	<u>75,461</u>
Court Fees:				
Contractual Services	19,530	19,530	14,482	5,048
Total Court Fees	<u>19,530</u>	<u>19,530</u>	<u>14,482</u>	<u>5,048</u>
Civil Service:				
Contractual Services	11,600	11,600	7,441	4,159
Total Civil Service	<u>11,600</u>	<u>11,600</u>	<u>7,441</u>	<u>4,159</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, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Safety/Service:				
Personal Services	65,575	65,575	63,851	1,724
Materials and Supplies	12,500	12,500	7,807	4,693
Contractual Services	81,102	81,102	62,052	19,050
Capital Outlay	10,500	10,500	750	9,750
Total Safety/Service	<u>169,677</u>	<u>169,677</u>	<u>134,460</u>	<u>35,217</u>
Income Tax:				
Personal Services	262,830	262,830	253,744	9,086
Materials and Supplies	13,698	13,698	12,349	1,349
Contractual Services	15,910	15,910	14,792	1,118
Total Income Tax	<u>292,438</u>	<u>292,438</u>	<u>280,885</u>	<u>11,553</u>
Total General Government	<u>1,362,937</u>	<u>1,362,937</u>	<u>1,224,698</u>	<u>138,239</u>
Total Expenditures	<u>5,664,148</u>	<u>5,664,148</u>	<u>5,306,875</u>	<u>357,273</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	242,191	242,191	640,836	398,645
Other Financing Sources (Uses):				
Proceeds from the Sale of Capital Assets	0	0	25	25
Transfers Out	(547,697)	(547,697)	(547,697)	0
Advances In	10,000	10,000	10,000	0
Advances Out	(40,000)	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	<u>(577,697)</u>	<u>(577,697)</u>	<u>(577,672)</u>	<u>25</u>
Net Change in Fund Balance	(335,506)	(335,506)	63,164	398,670
Fund Balance at Beginning of Year	1,956,905	1,956,905	1,956,905	0
Prior Year Encumbrances	53,974	53,974	53,974	0
Fund Balance at End of Year	<u>\$ 1,675,373</u>	<u>\$ 1,675,373</u>	<u>\$ 2,074,043</u>	<u>\$ 398,670</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Funds
For the Year Ended December 31, 2004**

	FIRE LEVY FUND			Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues:				
Taxes	\$ 523,110	\$ 523,110	\$ 537,386	\$ 14,276
Intergovernmental Revenues	60,370	60,370	60,089	(281)
Investment Earnings	1,400	1,400	1,832	432
All Other Revenues	950	950	971	21
Total Revenues	<u>585,830</u>	<u>585,830</u>	<u>600,278</u>	<u>14,448</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	516,621	516,621	504,884	11,737
Materials and Supplies	5,000	5,000	1,090	3,910
Contractual Services	13,650	13,650	10,790	2,860
Capital Outlay	86,494	86,494	37,278	49,216
Total Expenditures	<u>621,765</u>	<u>621,765</u>	<u>554,042</u>	<u>67,723</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,935)	(35,935)	46,236	82,171
Other Financing Sources (Uses):				
Transfers In	600	600	697	97
Total Other Financing Sources (Uses)	<u>600</u>	<u>600</u>	<u>697</u>	<u>97</u>
Net Change in Fund Balance	(35,335)	(35,335)	46,933	82,268
Fund Balance at Beginning of Year	186,850	186,850	186,850	0
Prior Year Encumbrances	5,868	5,868	5,868	0
Fund Balance at End of Year	<u>\$ 157,383</u>	<u>\$ 157,383</u>	<u>\$ 239,651</u>	<u>\$ 82,268</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 Funds
For the Year Ended December 31, 2004***

CAPITAL IMPROVEMENT FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 144,000	\$ 143,857	\$ (143)
Intergovernmental Revenues	4,200	4,300	100
All Other Revenues	23,500	24,506	1,006
Total Revenues	<u>171,700</u>	<u>172,663</u>	<u>963</u>
Expenditures:			
Leisure Time Activities:			
Parks:			
Contractual Services	29,018	29,017	1
Capital Outlay	81,070	79,871	1,199
Total Parks	<u>110,088</u>	<u>108,888</u>	<u>1,200</u>
Swimming Pool:			
Capital Outlay	980	0	980
Total Swimming Pool	<u>980</u>	<u>0</u>	<u>980</u>
Total Leisure Time Activities	<u>111,068</u>	<u>108,888</u>	<u>2,180</u>
Basic Utility Services:			
Water:			
Contractual Services	2,024	862	1,162
Capital Outlay	239,312	225,749	13,563
Total Water	<u>241,336</u>	<u>226,611</u>	<u>14,725</u>
Sewer:			
Capital Outlay	113,803	14,220	99,583
Total Sewer	<u>113,803</u>	<u>14,220</u>	<u>99,583</u>
Total Basic Utility Services	<u>355,139</u>	<u>240,831</u>	<u>114,308</u>
Transportation:			
Streets Department:			
Contractual Services	98,125	91,656	6,469
Capital Outlay	792,251	476,800	315,451
Total Transportation	<u>890,376</u>	<u>568,456</u>	<u>321,920</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Funds
For the Year Ended December 31, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Safety/Service:			
Contractual Services	64,500	64,500	0
Total Safety/Service	<u>64,500</u>	<u>64,500</u>	<u>0</u>
Total General Government	64,500	64,500	0
Total Expenditures	<u>1,437,083</u>	<u>998,675</u>	<u>438,408</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,265,383)	(826,012)	439,371
Other Financing Sources (Uses):			
Proceeds from the Sale of Capital Assets	4,000	4,000	0
Transfers In	808,000	808,795	795
Transfers Out	<u>(182,526)</u>	<u>(182,526)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>629,474</u>	<u>630,269</u>	<u>795</u>
Net Change in Fund Balance	(635,909)	(195,743)	440,166
Fund Balance at Beginning of Year	628,802	628,802	0
Prior Year Encumbrances	598,896	598,896	0
Fund Balance at End of Year	<u>\$ 591,789</u>	<u>\$ 1,031,955</u>	<u>\$ 440,166</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, 2004***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 346,325	\$ 346,347	\$ 22
All Other Revenues	2,675	2,754	79
Total Revenues	<u>349,000</u>	<u>349,101</u>	<u>101</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	585,210	551,165	34,045
Materials and Supplies	152,426	122,951	29,475
Contractual Services	73,248	54,101	19,147
Capital Outlay	14,200	9,845	4,355
Total Transportation	<u>825,084</u>	<u>738,062</u>	<u>87,022</u>
Debt Service:			
Principal Retirement	45,236	45,236	0
Interest and Fiscal Charges	2,416	2,416	0
Total Expenditures	<u>872,736</u>	<u>785,714</u>	<u>87,022</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(523,736)	(436,613)	87,123
Other Financing Sources (Uses):			
Transfers In	345,000	345,000	0
Total Other Financing Sources (Uses)	<u>345,000</u>	<u>345,000</u>	<u>0</u>
Net Change in Fund Balance	(178,736)	(91,613)	87,123
Fund Balance at Beginning of Year	305,334	305,334	0
Prior Year Encumbrances	4,926	4,926	0
Fund Balance at End of Year	<u>\$ 131,524</u>	<u>\$ 218,647</u>	<u>\$ 87,123</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, 2004***

	STATE HIGHWAY FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental Revenues	\$ 28,000	\$ 28,083	\$ 83
Total Revenues	<u>28,000</u>	<u>28,083</u>	<u>83</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	18,000	0	18,000
Contractual Services	<u>7,100</u>	<u>6,500</u>	<u>600</u>
Total Expenditures	<u>25,100</u>	<u>6,500</u>	<u>18,600</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,900	21,583	18,683
Fund Balance at Beginning of Year	<u>14,411</u>	<u>14,411</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 17,311</u>	<u>\$ 35,994</u>	<u>\$ 18,683</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, 2004**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 140,519	\$ 140,519	\$ 0
Total Revenues	<u>140,519</u>	<u>140,519</u>	<u>0</u>
Expenditures:			
Transportation:			
Street Department:			
Contractual Services	<u>55,500</u>	<u>37,000</u>	<u>18,500</u>
Total Expenditures	<u>55,500</u>	<u>37,000</u>	<u>18,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	85,019	103,519	18,500
Other Financing Sources (Uses):			
Transfers Out	<u>(85,019)</u>	<u>(85,019)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(85,019)</u>	<u>(85,019)</u>	<u>0</u>
Net Change in Fund Balance	0	18,500	18,500
Fund Balance at Beginning of Year	<u>5,501</u>	<u>5,501</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 5,501</u>	<u>\$ 24,001</u>	<u>\$ 18,500</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, 2004**

SWIMMING POOL FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 451,720	\$ 451,723	\$ 3
All Other Revenues	1,200	1,200	0
Total Revenues	<u>452,920</u>	<u>452,923</u>	<u>3</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	168,930	168,923	7
Materials and Supplies	57,613	57,189	424
Contractual Services	113,151	112,852	299
Total Leisure Time Activities	<u>339,694</u>	<u>338,964</u>	<u>730</u>
Debt Service:			
Principal Retirement	65,000	65,000	0
Interest and Fiscal Charges	84,792	84,792	0
Total Expenditures	<u>489,486</u>	<u>488,756</u>	<u>730</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,566)	(35,833)	733
Other Financing Sources (Uses):			
Advances In	40,000	40,000	0
Advances Out	(10,000)	(10,000)	0
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>0</u>
Net Change in Fund Balance	(6,566)	(5,833)	733
Fund Balance at Beginning of Year	8,470	8,470	0
Prior Year Encumbrances	612	612	0
Fund Balance at End of Year	<u>\$ 2,516</u>	<u>\$ 3,249</u>	<u>\$ 733</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, 2004**

	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 70,562	\$ 70,567	\$ 5
Intergovernmental Revenues	8,025	8,023	(2)
Total Revenues	<u>78,587</u>	<u>78,590</u>	<u>3</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	158,000	157,202	798
Contractual Services	2,020	1,412	608
Total Expenditures	<u>160,020</u>	<u>158,614</u>	<u>1,406</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(81,433)	(80,024)	1,409
Other Financing Sources (Uses):			
Transfers In	77,000	77,000	0
Total Other Financing Sources (Uses)	<u>77,000</u>	<u>77,000</u>	<u>0</u>
Net Change in Fund Balance	(4,433)	(3,024)	1,409
Fund Balance at Beginning of Year	4,700	4,700	0
Fund Balance at End of Year	<u>\$ 267</u>	<u>\$ 1,676</u>	<u>\$ 1,409</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, 2004**

	POLICE PENSION FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 70,562	\$ 70,567	\$ 5
Intergovernmental Revenues	8,025	8,023	(2)
Total Revenues	<u>78,587</u>	<u>78,590</u>	<u>3</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	196,350	196,305	45
Contractual Services	2,020	1,412	608
Total Expenditures	<u>198,370</u>	<u>197,717</u>	<u>653</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,783)	(119,127)	656
Other Financing Sources (Uses):			
Transfers In	125,000	125,000	0
Total Other Financing Sources (Uses)	<u>125,000</u>	<u>125,000</u>	<u>0</u>
Net Change in Fund Balance	5,217	5,873	656
Fund Balance at Beginning of Year	4,625	4,625	0
Fund Balance at End of Year	<u>\$ 9,842</u>	<u>\$ 10,498</u>	<u>\$ 656</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, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 3,300	\$ 3,676	\$ 376
All Other Revenues	3,200	3,200	0
Total Revenues	<u>6,500</u>	<u>6,876</u>	<u>376</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	600	0	600
Contractual Services	26,500	7,835	18,665
Other Expenditures	2,000	0	2,000
Capital Outlay	10,800	9,174	1,626
Total Expenditures	<u>39,900</u>	<u>17,009</u>	<u>22,891</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,400)	(10,133)	23,267
Fund Balance at Beginning of Year	39,202	39,202	0
Fund Balance at End of Year	<u>\$ 5,802</u>	<u>\$ 29,069</u>	<u>\$ 23,267</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, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 5,000	\$ 5,001	\$ 1
Fines and Forfeitures	1,500	2,071	571
Total Revenues	<u>6,500</u>	<u>7,072</u>	<u>572</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	9,755	4,627	5,128
Capital Outlay	500	0	500
Total Expenditures	<u>10,255</u>	<u>4,627</u>	<u>5,628</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,755)	2,445	6,200
Fund Balance at Beginning of Year	22,088	22,088	0
Fund Balance at End of Year	<u>\$ 18,333</u>	<u>\$ 24,533</u>	<u>\$ 6,200</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, 2004**

	D.A.R.E. FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Fines and Forfeitures	\$ 50	\$ 57	\$ 7
All Other Revenues	9,350	9,357	7
Total Revenues	<u>9,400</u>	<u>9,414</u>	<u>14</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	3,000	2,846	154
Contractual Services	1,600	125	1,475
Total Expenditures	<u>4,600</u>	<u>2,971</u>	<u>1,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,800	6,443	1,643
Fund Balance at Beginning of Year	11,124	11,124	0
Fund Balance at End of Year	<u>\$ 15,924</u>	<u>\$ 17,567</u>	<u>\$ 1,643</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 238,000	\$ 239,761	\$ 1,761
Total Revenues	<u>238,000</u>	<u>239,761</u>	<u>1,761</u>
Expenditures:			
Debt Service:			
Principal Retirement	340,000	340,000	0
Interest and Fiscal Charges	<u>184,475</u>	<u>168,075</u>	<u>16,400</u>
Total Expenditures	<u>524,475</u>	<u>508,075</u>	<u>16,400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(286,475)	(268,314)	18,161
Fund Balance at Beginning of Year	<u>733,538</u>	<u>733,538</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 447,063</u>	<u>\$ 465,224</u>	<u>\$ 18,161</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004**

	COUNTY ROAD FUND		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Intergovernmental Revenues	\$ 177,077	\$ 177,077	\$ 0
Total Revenues	<u>177,077</u>	<u>177,077</u>	<u>0</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	<u>349,537</u>	<u>349,537</u>	<u>0</u>
Total Expenditures	<u>349,537</u>	<u>349,537</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,460)	(172,460)	0
Fund Balance at Beginning of Year	0	0	0
Prior Year Encumbrances	<u>349,537</u>	<u>349,537</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 177,077</u>	<u>\$ 177,077</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Other Financing Sources (Uses):			
Transfers Out	<u>(362,114)</u>	<u>(362,114)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(362,114)</u>	<u>(362,114)</u>	<u>0</u>
Net Change in Fund Balance	(362,114)	(362,114)	0
Fund Balance at Beginning of Year	<u>362,114</u>	<u>362,114</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 257,552	\$ 257,552	\$ 0
Total Revenues	<u>257,552</u>	<u>257,552</u>	<u>0</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	<u>237,148</u>	<u>237,147</u>	<u>1</u>
Total Expenditures	<u>237,148</u>	<u>237,147</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,404	20,405	1
Fund Balance at Beginning of Year	201,804	201,804	0
Prior Year Encumbrances	<u>237,148</u>	<u>237,148</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 459,356</u>	<u>\$ 459,357</u>	<u>\$ 1</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2004***

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	<u>182,526</u>	<u>182,526</u>	<u>0</u>
Total Expenditures	<u>182,526</u>	<u>182,526</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(182,526)	(182,526)	0
Other Financing Sources (Uses):			
Transfers In	<u>182,526</u>	<u>182,526</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>182,526</u>	<u>182,526</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2004**

	CONN MEMORIAL TRUST		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:			
Charges for Services	\$ 1,900	\$ 1,900	\$ 0
Investment Earnings	1,400	1,540	140
Total Revenues	<u>3,300</u>	<u>3,440</u>	<u>140</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,300	3,440	140
Fund Balance at Beginning of Year	87,747	87,747	0
Fund Balance at End of Year	<u>\$ 91,047</u>	<u>\$ 91,187</u>	<u>\$ 140</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF HEATH, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2004***

<u>Capital Assets:</u>	
Land	\$5,938,722
Construction in Progress	33,350
Buildings	4,788,916
Improvements Other Than Buildings	2,905,220
Machinery and Equipment	6,100,063
Infrastructure	13,844,344
Total Capital Assets	<u>\$33,610,615</u>
<u>Investment in Capital Assets:</u>	
Assets Acquired Prior to 1990	\$161,599
General Fund	1,662,396
Special Revenue Funds	2,786,023
Capital Projects Funds	25,917,579
Proprietary Funds	11,922
Fiduciary Funds	23,507
Grants	445,000
Donations	2,602,589
Total Investment in Capital Assets	<u>\$33,610,615</u>

CITY OF HEATH, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2004***

<u>Function and Activity</u>	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>
<u>General Government:</u>			
Mayor	\$0	\$0	\$0
City Council	0	0	0
Clerk of Council	0	0	0
City Auditor	0	0	0
General Administration	258,188	0	762,040
Safety/Service	0	0	20,125
Income Tax	0	0	0
Total General Government	<u>258,188</u>	<u>0</u>	<u>782,165</u>
<u>Security of Persons and Property:</u>			
Police	0	0	20,000
Communications	0	0	0
Fire	39,890	0	1,983,545
Occupational Safety and Health Administration	0	0	0
Total Security of Persons and Property	<u>39,890</u>	<u>0</u>	<u>2,003,545</u>
<u>Transportation:</u>			
Streets	4,927,938	0	294,622
<u>Community Environment:</u>			
Zoning	0	0	0
<u>Leisure Time Activities:</u>			
Parks	712,706	33,350	1,152,022
Swimming Pool	0	0	556,562
Total Leisure Time Activities	<u>712,706</u>	<u>33,350</u>	<u>1,708,584</u>
Total Capital Assets	<u><u>\$5,938,722</u></u>	<u><u>\$33,350</u></u>	<u><u>\$4,788,916</u></u>

CITY OF HEATH, OHIO

Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Total
\$0	\$3,849	\$0	\$3,849
0	9,770	0	9,770
0	3,827	0	3,827
0	1,948	0	1,948
19,179	67,293	0	1,106,700
1,952	12,109	0	34,186
0	20,617	0	20,617
<u>21,131</u>	<u>119,413</u>	<u>0</u>	<u>1,180,897</u>
4,013	729,973	0	753,986
40,287	28,260	0	68,547
15,467	3,040,334	0	5,079,236
0	5,650	0	5,650
<u>59,767</u>	<u>3,804,217</u>	<u>0</u>	<u>5,907,419</u>
<u>43,879</u>	<u>1,409,430</u>	<u>13,844,344</u>	<u>20,520,213</u>
<u>12,237</u>	<u>235,933</u>	<u>0</u>	<u>248,170</u>
708,409	444,329	0	3,050,816
<u>2,059,797</u>	<u>86,741</u>	<u>0</u>	<u>2,703,100</u>
<u>2,768,206</u>	<u>531,070</u>	<u>0</u>	<u>5,753,916</u>
<u>\$2,905,220</u>	<u>\$6,100,063</u>	<u>\$13,844,344</u>	<u>\$33,610,615</u>

CITY OF HEATH, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2004**

Function and Activity	December 31, 2003	Additions	Deletions	December 31, 2004
<u>General Government:</u>				
Mayor	\$3,849	\$0	\$0	\$3,849
City Council	9,770	0	0	9,770
Clerk of Council	3,827	0	0	3,827
City Auditor	1,948	0	0	1,948
General Administration	1,105,555	1,145	0	1,106,700
Safety/Service	34,186	0	0	34,186
Income Tax	20,617	0	0	20,617
Total General Government	1,179,752	1,145	0	1,180,897
<u>Security of Persons and Property:</u>				
Police	749,687	4,299	0	753,986
Communications	68,547	0	0	68,547
Fire	5,059,938	19,298	0	5,079,236
Occupational Safety and Health Administration	5,650	0	0	5,650
Total Security of Persons and Property	5,883,822	23,597	0	5,907,419
<u>Transportation:</u>				
Streets	17,584,031	2,938,318	(2,136)	20,520,213
<u>Community Environment:</u>				
Zoning	243,183	4,987	0	248,170
<u>Leisure Time Activities:</u>				
Parks	2,957,063	93,753	0	3,050,816
Swimming Pool	2,723,100	0	(20,000)	2,703,100
Total Leisure Time Activities	5,680,163	93,753	(20,000)	5,753,916
Total Capital Assets	\$30,570,951	\$3,061,800	(\$22,136)	\$33,610,615

STATISTICAL SECTION



CITY OF HEATH

STATISTICAL TABLES

***T**HE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.*

CITY OF HEATH, OHIO

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN YEARS**

<u>Year</u>	<u>Security of Persons and Property</u>	<u>Public Health and Welfare</u>	<u>Leisure Time Activities</u>	<u>Community Environment</u>	<u>Trans- portation</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Total</u>
1995	\$2,141,431	\$45,760	\$347,325	\$376,269	\$619,462	\$756,426	\$290,610	\$4,577,283
1996	2,580,118	45,760	394,204	825,147	841,664	835,845	286,695	5,809,433
1997	2,681,078	50,000	501,275	266,905	876,121	848,761	292,098	5,516,238
1998	2,802,266	52,500	586,585	247,784	666,636	930,280	355,686	5,641,737
1999	3,258,024	52,500	680,463	247,051	737,225	1,084,927	429,995	6,490,185
2000	3,000,081	52,500	809,551	641,264	764,587	925,951	399,940	6,593,874
2001	3,581,192	52,500	846,329	511,615	795,913	1,094,494	406,634	7,288,677
2002	4,529,031	52,500	1,227,590	297,688	722,310	1,207,949	473,065	8,510,133
2003	4,069,038	52,500	1,384,323	255,327	919,603	1,212,168	580,491	8,473,450
2004	3,873,095	52,500	1,091,752	256,397	776,001	1,213,721	705,519	7,968,985

(1) Includes General Fund, Special Revenue Funds and Debt Service Fund
Source: City Auditor's Office

CITY OF HEATH, OHIO

**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
LAST TEN YEARS**

<u>Year</u>	<u>Taxes</u>	<u>Inter- Governmental Revenues</u>	<u>Charges for Services</u>	<u>Licenses and Permits</u>	<u>Investment Earnings</u>	<u>Fines and Forfeitures</u>	<u>All Other</u>	<u>Total</u>
1995	\$3,094,227	\$980,797	\$150,359	\$38,173	\$713,420	\$79,777	\$89,021	\$5,145,774
1996	2,301,871	1,062,861	138,505	37,033	788,452	69,027	47,692	4,445,441
1997	3,785,963	888,601	133,188	36,765	1,005,559	55,242	34,525	5,939,843
1998	4,083,854	1,047,818	200,654	42,960	828,193	54,447	234,571	6,492,497
1999	4,420,579	1,345,588	320,045	40,999	696,334	37,983	53,847	6,915,375
2000	4,467,791	955,037	314,930	63,897	863,545	47,028	207,067	6,919,295
2001	4,513,910	926,760	305,467	23,865	551,748	55,211	137,024	6,513,985
2002	4,580,012	944,005	679,393	23,861	231,096	50,156	114,070	6,622,593
2003	5,990,306	995,095	652,948	23,933	122,963	36,068	31,674	7,852,987
2004	5,807,034	1,228,197	597,102	34,775	85,527	38,588	53,618	7,844,841

(1) Includes General Fund, Special Revenue Funds and Debt Service Fund
Source: City Auditor's Office

CITY OF HEATH, OHIO

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Accumulated Outstanding Delinquent Taxes</u>	<u>Percentage of Accumulated Delinquent Taxes to Total Tax Levy</u>
1995	\$521,518	\$479,489	\$25,236	\$504,725	96.78%	\$16,793	3.22%
1996	740,748	689,389	16,042	705,431	95.23%	35,318	4.77%
1997	781,634	730,609	16,878	747,487	95.63%	34,147	4.37%
1998	1,155,640	988,251	17,138	1,005,389	87.00%	150,251	13.00%
1999	1,276,845	1,074,499	144,908	1,219,407	95.50%	57,438	4.50%
2000	1,283,598	1,171,988	19,201	1,191,189	92.80%	92,409	7.20%
2001	1,329,993	1,203,581	24,753	1,228,334	92.36%	101,659	7.64%
2002	1,323,199	1,166,236	37,618	1,203,854	90.98%	119,345	9.02%
2003	1,376,907	1,254,313	21,018	1,275,331	92.62%	101,575	7.38%
2004	1,472,611	1,281,581	50,750	1,332,331	90.47%	140,280	9.53%

Source: Licking County Auditor

**TANGIBLE TAX COLLECTED
LAST TEN YEARS**

<u>Year Paid</u>	<u>Amount</u>
1995	\$192,444
1996	201,529
1997	202,543
1998	212,459
1999	369,213
2000	274,773
2001	266,993
2002	238,662
2003	249,296
2004	251,303

CITY OF HEATH, OHIO

**ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS**

Tax Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1995	\$117,540,590	\$335,830,257	\$7,790,680	\$24,345,875	\$48,733,160	\$194,932,640	\$174,064,430	\$555,108,772	31.36%
1996	132,745,180	379,271,943	7,567,020	23,646,938	52,229,560	208,918,240	192,541,760	611,837,120	31.47%
1997	139,212,120	397,748,914	7,270,790	22,721,219	51,962,740	207,850,960	198,445,650	628,321,093	31.58%
1998	150,111,450	428,889,857	7,857,140	24,553,563	53,498,260	213,993,040	211,466,850	667,436,460	31.68%
1999	176,197,990	503,422,829	7,319,020	22,871,938	50,234,250	200,937,000	233,751,260	727,231,766	32.14%
2000	179,921,790	514,062,257	7,519,920	23,499,750	49,286,700	197,146,800	236,728,410	734,708,807	32.22%
2001	187,391,420	535,404,057	6,095,110	19,047,219	51,462,020	205,848,080	244,948,550	760,299,356	32.22%
2002	204,992,840	585,693,829	6,181,220	19,316,313	44,561,240	178,244,960	255,735,300	783,255,101	32.65%
2003	207,346,080	592,417,371	6,026,210	18,831,906	41,122,950	164,491,800	254,495,240	775,741,078	32.81%
2004	213,030,200	608,657,714	6,136,570	19,176,781	41,971,830	167,887,320	261,138,600	795,721,816	32.82%

Source: Licking County Auditor

CITY OF HEATH, OHIO

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATIONS)
LAST TEN YEARS**

Collection Year	City of Heath					Heath City School District	Licking County Joint Vocational School District	Lakewood Local School District	Licking Valley Local School District	Granville Exempted Village School District	Licking County
	General Fund	Police Pension Fund	Fire Pension Fund	Fire Levy Fund	Total City						
1995	2.30	0.30	0.30	1.00	3.90	40.10	2.00	38.80	30.90	66.00	6.70
1996	2.30	0.30	0.30	1.00	3.90	40.10	2.00	38.80	30.90	69.70	7.20
1997	2.30	0.30	0.30	2.50	5.40	43.10	2.00	38.80	30.90	69.50	7.20
1998	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.50	39.70	69.10	7.20
1999	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.11	38.90	69.00	7.20
2000	2.30	0.30	0.30	2.50	5.40	43.10	2.00	42.11	38.90	69.00	7.20
2001	2.30	0.30	0.30	2.50	5.40	48.22	2.00	41.96	38.38	73.49	7.20
2002	2.30	0.30	0.30	2.50	5.40	50.52	3.00	41.75	37.18	73.49	7.20
2003	2.30	0.30	0.30	2.50	5.40	50.10	2.80	47.55	37.00	81.19	7.20
2004	2.30	0.30	0.30	2.50	5.40	50.20	3.00	47.40	36.93	82.71	7.20

Source: Licking County Auditor
Licking County Treasurer

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2004**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$261,138,600	\$261,138,600
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	27,419,553	14,362,623
Applicable City Debt Outstanding (2)	5,370,000	5,370,000
Less: Applicable Debt Service Fund Amounts	(494,931)	(494,931)
Net Indebtedness Subject to Limitation	<u>4,875,069</u>	<u>4,875,069</u>
Legal Debt Margin	<u><u>\$22,544,484</u></u>	<u><u>\$9,487,554</u></u>

(1) Direct Debt Limitation Based Upon Section 133, The Uniform Bond Act of the Ohio Revised Code

(2) City Debt Outstanding Includes Non Self-Supporting General Obligation Bonds Only
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin

CITY OF HEATH, OHIO

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS**

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Valuation</u>	<u>Net Bonded Debt Per Capita</u>
1995	a 7,650	\$174,064,430	\$1,770,000	\$5,378	\$1,764,622	1.01%	\$230.67
1996	a 8,000	192,541,760	1,605,000	55,383	1,549,617	0.80%	193.70
1997	a 8,100	198,445,650	1,425,000	405,909	1,019,091	0.51%	125.81
1998	a 8,100	211,466,850	3,240,000	460,635	2,779,365	1.31%	343.13
1999	a 8,100	233,751,260	2,950,000	576,752	2,373,248	1.02%	292.99
2000	b 8,527	236,728,410	2,715,000	730,272	1,984,728	0.84%	232.76
2001	b 8,527	244,948,550	2,475,000	839,512	1,635,488	0.67%	191.80
2002	b 8,527	255,735,300	4,075,000	955,128	3,119,872	1.22%	365.88
2003	b 8,527	254,495,240	5,775,000	757,865	5,017,135	1.97%	588.38
2004	b 8,527	261,138,600	5,370,000	494,931	4,875,069	1.87%	571.72

Source:

(1) U.S. Bureau of Census of Population - (a) Estimated

(b) U.S. Bureau of Census, Federal 2000 Census

(2) Licking County Auditor

(3) Includes all general obligation bonded debt supported by property taxes

CITY OF HEATH, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**

Year	Debt Principal	Debt Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Tax Debt Service to General Governmental Expenditures
1995	\$160,000	\$130,610	\$290,610	\$4,577,283	6.35%
1996	165,000	121,695	286,695	5,809,433	4.93%
1997	180,000	112,098	292,098	5,516,238	5.30%
1998	1,505,000	150,686	1,655,686	6,941,737	23.85%
1999	290,000	139,995	429,995	6,490,185	6.63%
2000	235,000	128,260	363,260	6,593,874	5.51%
2001	240,000	118,977	358,977	7,288,677	4.93%
2002	250,000	131,388	381,388	8,510,133	4.48%
2003	335,000	195,728	530,728	8,473,450	6.26%
2004	405,000	252,878	657,878	7,968,985	8.26%

CITY OF HEATH, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2004**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Heath</u>	<u>Amount Applicable to City of Heath</u>
Direct			
City of Heath	\$4,875,069	100.00%	\$4,875,069
Overlapping Subdivisions			
Heath City School District	175,525	94.12%	165,204
Licking County	14,837,526	8.04%	1,192,937
			<u>Subtotal</u>
			1,358,141
			<u>Total</u>
			<u>\$6,233,210</u>

Source: Licking County

CITY OF HEATH, OHIO

DEMOGRAPHIC STATISTICS LAST TEN YEARS

<u>Year</u>		<u>City of Heath Population (1)</u>		<u>Licking County Population (1)</u>	<u>Unemployment Rate County Area (2)</u>	<u>School Enrollment (3)</u>
1995	a	7,650		128,300	5.1%	1,390
1996	a	8,000		128,300	3.9%	1,397
1997	a	8,100	c	137,500	3.8%	1,468
1998	a	8,100	c	135,800	3.8%	1,531
1999	a	8,100	c	135,800	3.6%	1,546
2000	b	8,527	b	145,491	3.5%	1,568
2001	b	8,527	b	145,491	3.6%	1,616
2002	b	8,527	b	145,491	4.7%	1,619
2003	b	8,527	c	145,491	6.0%	1,603
2004	b	8,527	c	145,491	5.9%	1,641

Source: (1) U.S. Bureau of Census of Population - (a) Estimated;
(b) Federal 2000 Census; (c) Chamber of Commerce
(2) Ohio Department of Job and Family Services
(3) Heath City School District, Board of Education

**PROPERTY VALUE AND CONSTRUCTION PERMITS
LAST TEN YEARS**

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>	
	<u>Number of Permits</u>	<u>Property Value</u>	<u>Number of Permits</u>	<u>Property Value</u>
1995	53	\$6,655,138	6	\$779,286
1996	45	7,037,765	10	5,310,100
1997	28	4,646,240	7	3,645,000
1998	43	5,738,269	15	8,315,306
1999	56	8,326,708	10	8,827,000
2000	49	7,063,709	13	15,440,000
2001	34	5,118,088	9	2,436,000
2002	35	5,414,235	16	12,726,221
2003	131	9,321,805	11	6,247,450
2004	79	5,344,486	24	8,509,200

Source: City of Heath Building Department

CITY OF HEATH, OHIO

**PRINCIPAL TAXPAYERS (PROPERTY TAX)
DECEMBER 31, 2004**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1	Glimcher Properties Limited Partnership	Shopping Mall	\$16,687,060	6.39%
2	Rockwell/Meritor Heavy Vehicle System	Manufacturer	8,314,920	3.18%
3	Kaiser Aluminum and Chemical Corporation	Aluminum Processing	7,682,970	2.94%
4	Southgate Association Ltd Partnership	Shopping Center	5,388,020	2.06%
5	Lowes	Retail - Home Improvement	5,052,340	1.94%
6	Cross Creek Ltd Partnership	Shopping Center	3,651,590	1.40%
7	Ohio Power Co.	Utility Company - Electric	3,390,520	1.30%
8	Heathwood Village Limited Partnership	Real Estate - Leasing	3,097,820	1.19%
9	Heath-Newark-Licking County Port Authority	Real Estate - Leasing	3,039,620	1.16%
10	Ampact Ohio, Inc.	Manufacturer	2,597,610	1.00%
		Sub-Total	58,902,470	22.56%
		All Others	202,236,130	77.44%
		Total	\$261,138,600	100.00%

Based on valuation of property taxes assessed in 2004
Source: Licking County Auditor - Land and Buildings

CITY OF HEATH, OHIO

**PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2004**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Amount of Tax Paid in 2004</u>	<u>Percentage of Total Tax Paid in 2004</u>
1	Central Ohio Aerospace & Technology Center	Manufacturing	\$763,923	16.03%
2	Arvin/Meritor/Rockwell	Manufacturing	492,504	10.34%
3	Kaiser Aluminum and Chemical Corporation	Manufacturing	186,741	3.92%
4	Lowe's	Retail - Home Improvement	144,248	3.03%
5	Heath City Schools	Education	104,356	2.19%
6	Englefield Oil	Petroleum Products	94,795	1.99%
7	Mathews Ford	Automobile Sales and Service	87,800	1.84%
8	CHS Ohio Valley Inc.	Nursing Home	79,191	1.66%
9	City of Heath	Government	70,268	1.47%
10	Wal-Mart	Retail	61,492	1.29%
		Sub-Total	<u>2,085,318</u>	<u>43.76%</u>
		All Others	<u>2,679,724</u>	<u>56.24%</u>
		Total	<u><u>\$4,765,042</u></u>	<u><u>100.00%</u></u>

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Source: Heath City Auditor

CITY OF HEATH, OHIO

PRINCIPAL EMPLOYERS DECEMBER 31, 2004

	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>		
			<u>Full-time</u>	<u>Part-time</u>	<u>Total</u>
1	Central Ohio Aerospace and Technology Center	Manufacturing	940	0	940
2	Arvin/Meritor/Rockwell	Manufacturing	606	0	606
3	Kaiser Aluminum and Chemical Corporation	Manufacturing	253	0	253
4	Wal-Mart Stores	Retail Sales	178	63	241
5	Heath Nursing Home	Health Care	185	34	219
6	Krogers	Retail Grocery	123	72	195
7	Lowe's Home Center	Retail Sales	114	79	193
8	Englefield Oil	Petroleum Products	145	32	177
9	Heath City Schools	Education	166	0	166
10	Sears	Retail Sales	51	105	156

Source: City of Heath Income Tax Department

CITY OF HEATH, OHIO

**MISCELLANEOUS STATISTICS
DECEMBER 31, 2004**

	Date of Incorporation	1952			
	Charter Adopted	1964			
	Form of Government		Council/Mayor		
Area (square miles)	10.6	Elementary Schools	2	Water System:	
Facilities and Services:		Kindergarten - 2nd grade	376	Number of Treatment Plants	1
Miles of Streets	87	3rd - 5th grades	374	Miles of Waterlines	71
Number of Street Lights	660	6th - 8th grades	406	Number of Fire Hydrants	635
Miles of Storm Sewers	52	Secondary Schools		Number of Service Connections	3,425
		9th -12th grades	422	Average Daily	
Police Services:		Heath Students Attending		Consumption (gallons)	1,200,000
Number of Stations	1	Licking County JVS (11th -12th grades)	63	Maximum Daily Capacity	
Number of Uniformed Police Officers	17			of Plant (gallons)	4,000,000
Number Reserve Personnel	5	Recreation and Culture:			
Number of Patrol Units	8	Number of Parks	10	Sewerage System:	
Traffic Citations Issued	1,349	Park Area (acres)	366	Number of Treatment Plants	1
Physical Arrests	538	Number of Ball Fields:		Miles of Sanitary Sewers	101
		Lighted	5	Average Daily Treatment	1,300,000
Fire/Emergency Medical Services:		Unlighted	2	Maximum Daily Capacity	
Number of Stations	2	Number of Sand Volley Ball Courts:		of Treatment	1,750,000
Number of Full-time Personnel	16	Lighted	2	Peak Load per Day	7,000,000
Number of Part-time Personnel	0	Swimming Pool:			
Number of Volunteer		Lighted	1		
Fire/EMS Personnel	18	Vita Course - 2 mile	1		
Number of Calls Answered	1,903	Fitness and Recreation Center	1		
Number of Inspections	376	Bike Paths - 1/2 mile	1		

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Source: Heath City Auditor

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the City of Heath as of and for the year ended December 31, 2004, and have issued our report thereon dated June 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Heath's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Heath in a separate letter dated June 15, 2005.

Compliance

As part of obtaining reasonable assurance about whether the City of Heath's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of the City of Heath in a separate letter dated June 15, 2005.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 15, 2005

SCHEDULE OF FINDINGS

**CITY OF HEATH
LICKING COUNTY
DECEMBER 31, 2004**

1. AUDITOR'S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO

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

NONE



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF HEATH

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2005**