

*Comprehensive
Annual Financial Report
for the year ended December 31, 2005*



*Heath, Ohio
2005*



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the City of Heath, Licking County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 12, 2006

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Heath Police Department

The Heath Police Department was established in 1963 with a Chief and one full-time patrol officer. The department of today consists of eighteen sworn officers, ten reserve officers, five full time and five part time dispatchers, and two clerks.

The department prides itself as a highly progressive, technically advanced, customer service oriented agency. The vehicle fleet consists of eight patrol cars equipped with state of the art wireless computers, and a D.A.R.E. truck that through a unique paint scheme and reflective graphics, creates a bold and highly visible look. The same paint and graphics package appears on the department's drag race car, a 1970 Dodge Dart used in anti-drug, anti-alcohol, and anti-street racing program that is owned and operated through Beat the Heat, a national non-profit organization.

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. 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.

I am pleased to feature the Heath Police Department in CAFR 2005.

Respectfully Submitted;

A handwritten signature in black ink, appearing to read "K.B. Alexander", written in a cursive style.

Keith B. Alexander
Auditor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2005

Prepared by the City Auditor's Department

Mr. Keith B. Alexander
City Auditor



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LICKING COUNTY, OHIO

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***F**INANCIAL **S**ECTION*





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, 2005. 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, 2005

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, 2005

Municipal Services

Police Services

The Heath Police Department was established in 1963 with a Chief and one full-time patrol officer. The department of today consists of eighteen sworn officers, five reserve officers, five full time and five part time dispatchers, and two clerks. The department prides itself as a highly progressive, technically advanced, customer service oriented agency. The vehicle fleet consists of eight patrol cars equipped with state of the art wireless computers, and a D.A.R.E. truck that through a unique paint scheme and reflective graphics, creates a bold and highly visible look. The same paint and graphics package appears on the department's drag race car, a 1970 Dodge Dart used in anti-drug, anti-alcohol, and anti-street racing program that is owned and operated through *Beat the Heat*, a national non-profit organization. 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. 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.

2005 Heath Police Department Statistics:

Calls for Service:	13,535
Offense Reports:	1,763
Arrests:	583
Accidents:	534
Citations:	1,135

Fire Services

The Heath Fire Department has served its community since 1951. The City of Heath is comprised of heavy industries, manufacturing, an airport, petroleum bulk storage, several shopping centers, and a mall. Heath currently operates two fire stations housing two structural engines, a rescue pumper, three advanced life support medic units, a 100' Skyarm aerial, a 4x4 utility truck, and a Walther airport crash truck. Heath also houses and responds the county Haz-Mat trailer, water rescue trailer, and a foam response trailer with specialized firefighting equipment. Heath is a combination department protecting 12.5 square miles with 16 full-time firefighter/paramedics, including the chief. The department is complimented with 22 volunteers with various certifications. Heath also provides protection for a portion of Franklin Township. Heath Fire operates a three platoon system working 24 on and 48 off. Each shift is assigned a captain, a lieutenant, and three firefighter/medics. The department operates under the Licking county mutual aid agreement with all other county departments, and will incorporate automatic response in the near future. Heath responds to approximately 1,900 fire and EMS calls annually. Heath Fire is actively involved in fire prevention, inspections, industrial and commercial fire safety training, a junior fire-setter program, and community CPR training.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

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.

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, and was completed in 2005. It included several building improvements, and a new larger Rodiger belt press. A chief operator, two operators, and three 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 nine 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 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.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

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.

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.

Additional information on the Building and Zoning Department, including fees, regulations, construction specifications, and demographics is available at www.heathohio.org under Government and Community Development.

Parks and Recreation Services

Heath Parks is comprised of over 376 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.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

The Forry Preserve, the city's newest park, includes 250 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.

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 (8) 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.

Income Tax Division

The Income 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 for the 7 hotels located in Heath. The Tax Division offers direct tax assistance to all taxpayers and businesses. Assistance is also provided for taxpayers using the on-line tax preparation tool offered on the City's web site at www.heathohio.org.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

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 Income 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. There are now 7 hotels filing monthly excise reports.

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.

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>
83	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.

CITY OF HEATH, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2005**

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

<u>Bargaining Unit</u>	<u>Agreement Expiration Date</u>	<u>Number of Employees Covered</u>
Fraternal Order of Police, Ohio Labor Council (Dispatchers)	March 31, 2008	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2008	16
International Association of Firefighters Local 2930	April 17, 2008	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2008	33

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 commerce 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. Numerous 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. Mark Pi's China Express, and the John Hinderer Honda Power Store came to Heath. Pepper's left.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

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. Boeing and Kaiser Aluminum both experienced strong growth, and added jobs in the Heath area.

In the residential sector, 530 single family condominium residential lots were made available in River Oaks, Fox Run, and along Licking View and Irving Wick (east) Drives.

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 State Route 79 widening project was finally completed in 2005. The year also saw the beginning of the State Route 79 Safety Improvement Project. The 4+ million-dollar project will study, and implement, a plan to improve vehicular safety on SR-79 from the city's northern gateway to 30th Street. The Kaiser Drive relocation project was also completed, opening up the Foreign Trade Zone lands for the Port Authority.

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 Heath Municipal Water Park also offers a series of themed family nights for patrons filled with fun, games, music and activities.

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 SR-79 Safety Study, which cost the city approximately \$120,000, may give way to a safety improvement grant well surpassing \$4 million dollars.

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

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; Kaiser Drive relocation, 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 to the Water Park. 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 2005 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 continued its involvement in D.A.R.E. Two additional weather warning sirens were purchased and installed to compliment the four already in service. The Police Department purchased four police cruisers, and one un-marked vehicle. Additionally, the Police department trained four in the Licking County Crisis Intervention team concept.

Plans for 2006 include:

Parks:	Irving Wick Connector Bike Path	\$134,000
	Hebron Rd. to pool Bike Path	\$46,000
Fire:	Air lifting bag	\$15,000
Police	Unmarked car	\$15,000
	Emergitech reporting software	\$12,000
Street	Annual paving	\$100,000
	¾ ton Pick-up truck (lease)	\$5,000
Water	Utility truck	\$17,000
	Re-hab WCLT tower	\$25,000
Wastewater	Generator for the Woodlands	\$25,000
	Grandview Ave. lift station upgrade	\$212,000
Zoning	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, 2005

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

Risk Management

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

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

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

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

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

CITY OF HEATH, OHIO

Letter of Transmittal

For the Year Ended December 31, 2005

Health Insurance

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

Workers' Compensation

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

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

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

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

OTHER INFORMATION

Independent Audit

The general purpose 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, 2005

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, 2004. This was the eleventh year in a row the City received this award. The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 and 2003. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

Public Disclosure

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

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

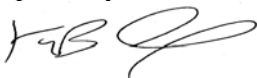
Acknowledgments

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, 2005**

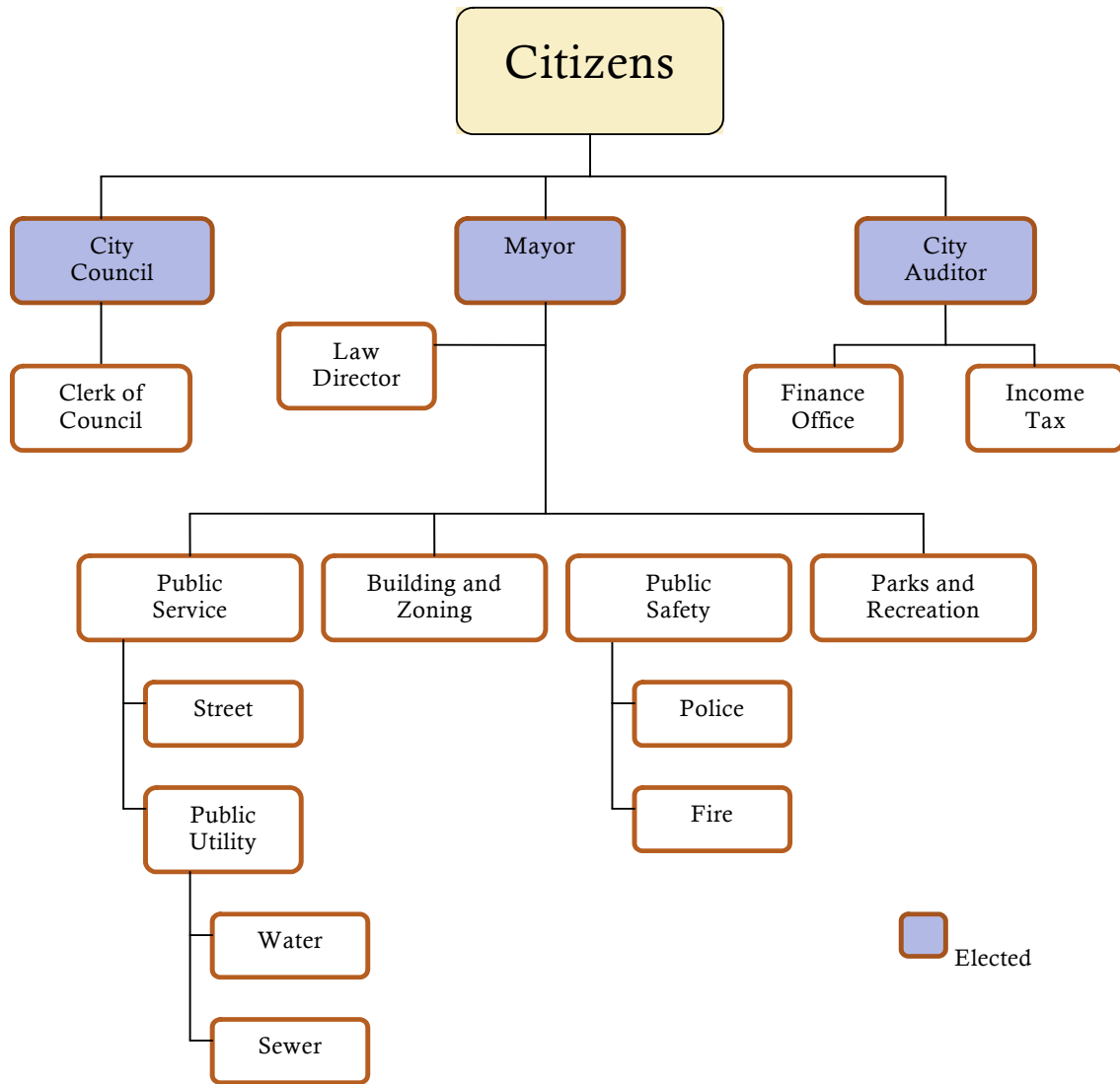
<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>	<i>SURETY</i>
Daniel L. Dupps	Mayor	12/31/05	
Keith B. Alexander	Auditor	03/31/08	B
James W. Watercutter	Council Member - Ward 1	12/31/09	
	Council President		
Cledys Henry	Council Member at Large	12/31/07	
	President-Pro-Tem		
Dr. Ronald Krueger	Council Member at Large	12/31/07	
Jeffrey Crabill	Council Member - Ward 3	12/31/09	
Mary Kelley	Council Member - Ward 2	12/31/09	
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
 (B) \$100,000 Ohio Farmers Insurance Company 06/1/04 - Indefinite

City Address:

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

**City Organizational Chart
For the Year Ended December 31, 2005**



Boards and Commissions

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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Heath,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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.



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director



***F**INANCIAL **S**ECTION*



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

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Fire Levy Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 3, 2006, 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.

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
May 3, 2006

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, 2005. 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 2005 are as follows:

- ❑ In total, net assets increased \$60,269. Net assets of governmental activities decreased \$510,053 which represents a 2.2% decrease from 2004. Net assets of business-type activities increased \$570,322 or 4.2% from 2004.
- ❑ General revenues accounted for \$6.98 million in revenue or 55.4% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 44.6% of total revenues of \$12.6 million.
- ❑ The City had \$9.2 million in expenses related to governmental activities; only \$1.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$6.9 million assisted in providing for these programs.
- ❑ Among major funds, the general fund had \$5.95 million in revenues and \$5.47 million in expenditures. The general fund's fund balance increased \$4,929 to \$2.7 million.
- ❑ Net assets for enterprise funds increased by \$.5 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, 2005**

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, 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$8,497,455	\$8,721,336	\$3,830,247	\$3,496,660	\$12,327,702	\$12,217,996
Capital assets, Net	21,384,994	21,990,798	18,940,759	18,756,288	40,325,753	40,747,086
Total assets	29,882,449	30,712,134	22,771,006	22,252,948	52,653,455	52,965,082
Long-term debt outstanding	5,658,923	6,017,820	8,447,650	8,379,255	14,106,573	14,397,075
Other liabilities	1,926,160	1,886,895	121,689	242,348	2,047,849	2,129,243
Total liabilities	7,585,083	7,904,715	8,569,339	8,621,603	16,154,422	16,526,318
Net assets						
Invested in capital assets, net of related debt	16,428,080	16,596,874	10,598,772	10,509,634	27,026,802	27,106,508
Restricted	3,455,361	3,861,459	0	0	3,455,361	3,861,459
Unrestricted	2,413,975	2,349,086	3,602,895	3,121,711	6,016,870	5,470,797
Total net assets	\$22,297,366	\$22,807,419	\$14,201,667	\$13,631,345	\$36,499,033	\$36,438,764

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2005 and 2004:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for Services and Sales	\$975,642	\$714,285	\$3,752,990	\$3,466,951	\$4,728,632	\$4,181,236
Operating Grants and Contributions	605,977	467,040	0	0	605,977	467,040
Capital Grants and Contributions	153,096	2,243,026	132,480	546,732	285,576	2,789,758
Total Program Revenues	1,734,715	3,424,351	3,885,470	4,013,683	5,620,185	7,438,034
General revenues:						
Property Taxes	1,233,678	1,190,037	0	0	1,233,678	1,190,037
Income Taxes	4,833,456	4,765,042	0	0	4,833,456	4,765,042
Other Local Taxes	13,306	13,061	0	0	13,306	13,061
Shared Revenues	609,450	623,050	0	0	609,450	623,050
Investment Earnings	191,143	106,428	20,949	(2,973)	212,092	103,455
Miscellaneous	78,959	40,204	0	0	78,959	40,204
Total General Revenues	6,959,992	6,737,822	20,949	(2,973)	6,980,941	6,734,849
Total Revenues	8,694,707	10,162,173	3,906,419	4,010,710	12,601,126	14,172,883
Program Expenses:						
Security of Persons and Property	4,329,101	4,216,123	0	0	4,329,101	4,216,123
Public Health and Welfare Services	52,500	52,500	0	0	52,500	52,500
Leisure Time Activities	1,294,346	1,302,972	0	0	1,294,346	1,302,972
Community Environment	293,980	302,336	0	0	293,980	302,336
Basic Utility Services	0	204,435	0	0	0	204,435
Transportation	1,753,609	553,998	0	0	1,753,609	553,998
General Government	1,278,537	1,327,217	0	0	1,278,537	1,327,217
Interest and Fiscal Charges	235,853	252,654	0	0	235,853	252,654
Business Type Activities:						
Water	0	0	1,449,520	1,460,249	1,449,520	1,460,249
Sewer	0	0	1,853,411	2,077,666	1,853,411	2,077,666
Total expenses	9,237,926	8,212,235	3,302,931	3,537,915	12,540,857	11,750,150
Change in Net Assets before transfers	(543,219)	1,949,938	603,488	472,795	60,269	2,422,733
Transfers	33,166	361,662	(33,166)	(361,662)	0	0
Total Change in Net Assets	(510,053)	2,311,600	570,322	111,133	60,269	2,422,733
Beginning Net Assets, Restated	22,807,419	20,495,819	13,631,345	13,520,212	36,438,764	34,016,031
Ending Net Assets	\$22,297,366	\$22,807,419	\$14,201,667	\$13,631,345	\$36,499,033	\$36,438,764

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

Governmental Activities

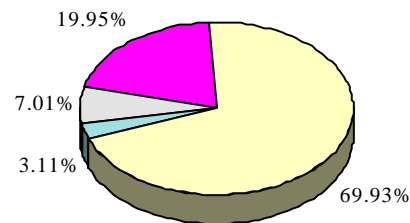
Net assets of the City's governmental activities decreased by \$510,053. This was due primarily to the decrease in capital contributions.

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

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

Property taxes and income taxes made up 14.19% and 55.6% respectively of revenues for governmental activities for the City in fiscal year 2005. The City's reliance upon tax revenues is demonstrated by the following graph indicating 69.93% of total revenues from general tax revenues:

Revenue Sources	2005	Percent of Total
General Shared Revenues	\$609,450	7.01%
Program Revenues	1,734,715	19.95%
General Tax Revenues	6,080,440	69.93%
General Other	270,102	3.11%
Total Revenue	\$8,694,707	100.00%



Business-Type Activities

Net assets of the business-type activities increased by \$570,322. This increase was primarily the result of decreased expenditures in both the water and sewer funds.

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$6,003,769, which is a decrease from last year's balance of \$6,468,210. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2005 and 2004:

	Fund Balance December 31, 2005	Fund Balance December 31, 2004	Increase (Decrease)
General	\$2,688,834	\$2,683,905	\$4,929
Fire Levy	150,046	204,882	(54,836)
Capital Improvement Fund	1,984,121	1,521,393	462,728
Other Governmental	1,180,768	2,058,030	(877,262)
Total	<u>\$6,003,769</u>	<u>\$6,468,210</u>	<u>(\$464,441)</u>

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

	2005 Revenues	2004 Revenues	Increase (Decrease)
Taxes	\$4,993,278	\$4,883,373	\$109,905
Intergovernmental Revenue	533,689	650,209	(116,520)
Charges for Services	136,369	145,379	(9,010)
Licenses, Permits and Fees	35,896	34,775	1,121
Investment Earnings	155,297	83,695	71,602
Fines and Forfeitures	22,066	32,734	(10,668)
All Other Revenue	77,092	36,136	40,956
Total	<u>\$5,953,687</u>	<u>\$5,866,301</u>	<u>\$87,386</u>

General Fund revenues in 2005 increased approximately 1.5% compared to revenues in fiscal year 2004. The most significant factor contributing to this increase was the reallocation of municipal income tax revenues.

CITY OF HEATH, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2005

	2005	2004	<i>Unaudited</i>
	<u>Expenditures</u>	<u>Expenditures</u>	<u>Increase (Decrease)</u>
Security of Persons and Property	\$3,169,184	\$2,943,333	\$225,851
Public Health and Welfare Services	52,500	52,500	0
Leisure Time Activities	746,579	753,602	(7,023)
Community Environment	261,315	256,397	4,918
General Government	1,233,082	1,213,721	19,361
Debt Service:			
Principal Retirement	6,286	0	6,286
Interest and Fiscal Charges	1,069	0	1,069
Total	<u>\$5,470,015</u>	<u>\$5,219,553</u>	<u>\$250,462</u>

General Fund expenditures increased by \$250,462 or 4.8% over the prior year due to primarily to increases in wages and benefits.

Fire Levy Fund – The balance of this fund decreased by \$54,836 or 26.8% under the prior year due to increased costs associated with wages and benefits.

Capital Improvement Fund – The balance in this fund can fluctuate by 50% or more in a given year because this fund is utilized to account for the majority of the City's capital improvements. The level of funding and expenditures vary depending on the City's capital plans for the given year. During 2005, the fund balance increased by 30.4% due to fund reimbursement after project closures.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2005, the City amended its General Fund budget several times. The increase in the final budgeted appropriations of \$506,172 and the positive variance with the final budget of \$423,239 was the result of carefully watchful spending.

For the General Fund, final budget basis revenue of \$5,986,184 increased by \$253,663 over the original budget estimates of \$5,732,521 primarily as a result of increased income tax and interest collections.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2005 the City had \$40,325,753 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$21,384,994 was related to governmental activities and \$18,940,759 to the business-type activities. The following table shows fiscal year 2005 and 2004 balances:

	Governmental Activities		Increase (Decrease)
	2005	2004	
Land	\$5,938,722	\$5,938,722	\$0
Construction in Progress	136,337	33,350	102,987
Total Non-Depreciable Capital Assets	6,075,059	5,972,072	102,987
Buildings	4,808,916	4,788,916	20,000
Improvements Other Than Buildings	2,935,649	2,905,220	30,429
Machinery and Equipment	6,408,463	6,100,063	308,400
Infrastructure	13,854,254	13,844,344	9,910
Less: Accumulated Depreciation	(12,697,347)	(11,619,817)	(1,077,530)
Total Depreciable Capital Assets	15,309,935	16,018,726	(708,791)
Totals	\$21,384,994	\$21,990,798	(\$605,804)

	Business-Type Activities		Increase (Decrease)
	2005	2004	
Land	\$397,374	\$397,374	\$0
Construction in Progress	2,751,837	2,271,699	480,138
Total Non-Depreciable Capital Assets	3,149,211	2,669,073	480,138
Buildings	12,715,457	12,715,457	0
Improvements Other Than Buildings	1,510,298	1,510,298	0
Machinery and Equipment	4,855,236	4,818,014	37,222
Infrastructure	11,771,869	11,381,215	390,654
Less: Accumulated Depreciation	(15,061,312)	(14,337,769)	(723,543)
Total Depreciable Capital Assets	15,791,548	16,087,215	(295,667)
Totals	\$18,940,759	\$18,756,288	\$184,471

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2005**

Unaudited

The largest increases in governmental activities capital assets occurred in machinery and equipment. The primary reason for the increase in the machinery and equipment category relate to the purchases of several new vehicles for the police department.

As of December 31, 2005, the City has contractual commitments of \$620,399 for various projects. Included in these projects are the State Route 79 safety improvements, sludge handling improvements, and the Irving Wick Dr. bike trail connector. Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2005, the City had \$7.43 million in bonds outstanding, \$380,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Governmental Activities:		
General Obligation Bonds	\$4,950,000	\$5,370,000
Installment Loans	0	10,674
Capital Leases	6,964	13,250
Compensated Absences	<u>701,959</u>	<u>623,896</u>
Total Governmental Activities	5,658,923	6,017,820
Business-Type Activities:		
General Obligation Bonds	2,475,000	2,610,000
OWDA Loan	5,866,987	5,636,654
Compensated Absences	<u>105,663</u>	<u>132,601</u>
Total Business-Type Activities	<u>8,447,650</u>	<u>8,379,255</u>
Totals	<u>\$14,106,573</u>	<u>\$14,397,075</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, 2005, 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 2005 were up slightly from 2004.

General Fund expenditures were budgeted at 5% less than 2005 actual expenditures. In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated. Also affecting the General Fund and budget are the ever increasing costs associated with employee pay raises, and upwardly spiraling health insurance costs.

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

REQUESTS FOR INFORMATION

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

CITY OF HEATH, OHIO

**Statement of Net Assets
December 31, 2005**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,433,298	\$ 2,293,930	\$ 5,727,228
Investments	2,185,706	996,997	3,182,703
Receivables:			
Taxes	2,084,966	0	2,084,966
Accounts	4,317	438,814	443,131
Intergovernmental	485,786	0	485,786
Interest	49,124	0	49,124
Internal Balances	10,426	(10,426)	0
Inventory of Supplies at Cost	100,938	70,408	171,346
Prepaid Items	70,822	40,524	111,346
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	72,072	0	72,072
Non-Depreciable Capital Assets	6,075,059	3,149,211	9,224,270
Depreciable Capital Assets, Net	15,309,935	15,791,548	31,101,483
Total Assets	29,882,449	22,771,006	52,653,455
Liabilities:			
Accounts Payable	223,529	80,157	303,686
Accrued Wages and Benefits Payable	340,908	31,998	372,906
Unearned Revenue	1,343,487	0	1,343,487
Accrued Interest Payable	18,236	9,534	27,770
Noncurrent liabilities:			
Due within one year	274,787	655,620	930,407
Due in more than one year	5,384,136	7,792,030	13,176,166
Total Liabilities	7,585,083	8,569,339	16,154,422
Net Assets:			
Invested in Capital Assets, Net of Related Debt	16,428,030	10,598,772	27,026,802
Restricted For:			
Capital Projects	2,491,176	0	2,491,176
Debt Service	231,664	0	231,664
Other Purposes	732,521	0	732,521
Unrestricted	2,413,975	3,602,895	6,016,870
Total Net Assets	\$ 22,297,366	\$ 14,201,667	\$ 36,499,033

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2005**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 4,329,101	\$ 101,573	\$ 104,089	\$ 34,881
Public Health and Welfare Services	52,500	0	0	0
Leisure Time Activities	1,294,346	713,325	0	4,186
Community Environment	293,980	33,563	0	0
Transportation	1,753,609	120,282	501,888	108,448
General Government	1,278,537	6,899	0	5,581
Interest and Fiscal Charges	235,853	0	0	0
Total Governmental Activities	9,237,926	975,642	605,977	153,096
Business-Type Activities:				
Water	1,449,520	1,297,785	0	40,210
Sewer	1,853,411	2,455,205	0	92,270
Total Business-Type Activities	3,302,931	3,752,990	0	132,480
Totals	\$ 12,540,857	\$ 4,728,632	\$ 605,977	\$ 285,576

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, Restated

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
\$ (4,088,558)	\$ 0	\$ (4,088,558)
(52,500)	0	(52,500)
(576,835)	0	(576,835)
(260,417)	0	(260,417)
(1,022,991)	0	(1,022,991)
(1,266,057)	0	(1,266,057)
(235,853)	0	(235,853)
<u>(7,503,211)</u>	<u>0</u>	<u>(7,503,211)</u>
0	(111,525)	(111,525)
<u>0</u>	<u>694,064</u>	<u>694,064</u>
<u>0</u>	<u>582,539</u>	<u>582,539</u>
<u>(7,503,211)</u>	<u>582,539</u>	<u>(6,920,672)</u>
1,233,678	0	1,233,678
4,833,456	0	4,833,456
13,306	0	13,306
609,450	0	609,450
191,143	20,949	212,092
78,959	0	78,959
33,166	(33,166)	0
<u>6,993,158</u>	<u>(12,217)</u>	<u>6,980,941</u>
(510,053)	570,322	60,269
<u>22,807,419</u>	<u>13,631,345</u>	<u>36,438,764</u>
<u>\$ 22,297,366</u>	<u>\$ 14,201,667</u>	<u>\$ 36,499,033</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2005**

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,108,212	\$ 184,461	\$ 996,490	\$ 1,110,281	\$ 3,399,444
Investments	1,118,138	0	1,013,083	54,485	2,185,706
Receivables:					
Taxes	1,228,287	637,721	19,026	199,932	2,084,966
Accounts	4,317	0	0	0	4,317
Intergovernmental	194,388	28,584	21,687	241,127	485,786
Interest	49,124	0	0	0	49,124
Inventory of Supplies, at Cost	43,599	0	0	57,339	100,938
Prepaid Items	57,689	1,115	0	12,018	70,822
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	0	72,072	72,072
Total Assets	\$ 3,803,754	\$ 851,881	\$ 2,050,286	\$ 1,747,254	\$ 8,453,175
Liabilities:					
Accounts Payable	\$ 65,897	\$ 27	\$ 63,616	\$ 6,736	\$ 136,276
Accrued Wages and Benefits Payable	151,318	37,262	0	152,328	340,908
Deferred Revenue	897,705	664,546	2,549	407,422	1,972,222
Total Liabilities	1,114,920	701,835	66,165	566,486	2,449,406
Fund Balances:					
Reserved for Encumbrances	49,065	23,198	532,148	5,854	610,265
Reserved for Prepaid Items	57,689	1,115	0	12,018	70,822
Reserved for Supplies Inventory	43,599	0	0	57,339	100,938
Reserved for Debt Service	0	0	0	245,652	245,652
Undesignated, Unreserved in:					
General Fund	2,538,481	0	0	0	2,538,481
Special Revenue Funds	0	125,733	0	278,829	404,562
Capital Projects Funds	0	0	1,451,973	507,055	1,959,028
Permanent Fund	0	0	0	74,021	74,021
Total Fund Balances	2,688,834	150,046	1,984,121	1,180,768	6,003,769
Total Liabilities and Fund Balances	\$ 3,803,754	\$ 851,881	\$ 2,050,286	\$ 1,747,254	\$ 8,453,175

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2005***

Total Governmental Fund Balances	\$ 6,003,769
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	21,384,994
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	628,735
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,677,159)
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.	<u>(42,973)</u>
<i>Net Assets of Governmental Funds</i>	<u><u>\$ 22,297,366</u></u>

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, 2005**

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,993,278	\$ 554,855	\$ 148,745	\$ 406,239	\$ 6,103,117
Intergovernmental Revenues	533,689	60,368	139,525	560,971	1,294,553
Charges for Services	136,369	0	0	570,535	706,904
Licenses and Permits	35,896	0	0	10,336	46,232
Investment Earnings	155,297	4,129	0	2,092	161,518
Fines and Forfeitures	22,066	0	0	12,746	34,812
All Other Revenue	77,092	6,161	172,468	10,932	266,653
Total Revenue	5,953,687	625,513	460,738	1,573,851	8,613,789
Expenditures:					
Current:					
Security of Persons and Property	3,169,184	680,349	172,018	452,384	4,473,935
Public Health and Welfare Services	52,500	0	0	0	52,500
Leisure Time Activities	746,579	0	21,402	351,747	1,119,728
Community Environment	261,315	0	0	0	261,315
Transportation	0	0	474,652	792,700	1,267,352
General Government	1,233,082	0	27,670	0	1,260,752
Debt Service:					
Principal Retirement	6,286	0	0	430,674	436,960
Interest and Fiscal Charges	1,069	0	0	236,540	237,609
Total Expenditures	5,470,015	680,349	695,742	2,264,045	9,110,151
Excess (Deficiency) of Revenues Over Expenditures	483,672	(54,836)	(235,004)	(690,194)	(496,362)
Other Financing Sources (Uses):					
Transfers In	49,648	0	703,301	557,487	1,310,436
Transfers Out	(533,500)	0	(5,569)	(738,201)	(1,277,270)
Total Other Financing Sources (Uses)	(483,852)	0	697,732	(180,714)	33,166
Net Change in Fund Balance	(180)	(54,836)	462,728	(870,908)	(463,196)
Fund Balances at Beginning of Year, Restated	2,683,905	204,882	1,521,393	2,058,030	6,468,210
Increase (Decrease) in Inventory Reserve	5,109	0	0	(6,354)	(1,245)
Fund Balances End of Year	\$ 2,688,834	\$ 150,046	\$ 1,984,121	\$ 1,180,768	\$ 6,003,769

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, 2005***

Net Change in Fund Balances - Total Governmental Funds \$ (463,196)

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. (588,799)

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. (17,005)

Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 80,918

The repayment of principal on long-term debt consumes the current financial resources of governmental funds. This transaction, however, does not effect net assets. 436,960

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,756

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. (79,308)

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.

118,621
\$ (510,053)

Change in Net Assets of Governmental Activities

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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,967,145	\$ 5,012,931	\$ 5,034,587	\$ 21,656
Intergovernmental Revenue	451,806	507,592	517,637	10,045
Charges for Services	124,200	130,200	136,369	6,169
Licenses and Permits	28,850	33,050	35,896	2,846
Investment Earnings	110,000	148,000	154,816	6,816
Fines and Forfeitures	35,000	21,000	21,857	857
All Other Revenues	15,520	43,911	77,092	33,181
Total Revenues	5,732,521	5,896,684	5,978,254	81,570
Expenditures:				
Current:				
Security of Persons and Property	2,879,126	3,261,258	3,145,875	115,383
Public Health and Welfare Services	55,000	55,000	52,500	2,500
Leisure Time Activities	837,148	873,316	752,841	120,475
Community Environment	284,945	291,777	276,799	14,978
General Government	1,376,531	1,434,071	1,264,168	169,903
Total Expenditures	5,432,750	5,915,422	5,492,183	423,239
Excess (Deficiency) of Revenues Over (Under) Expenditures	299,771	(18,738)	486,071	504,809
Other Financing Sources (Uses):				
Transfers In	0	49,500	49,648	148
Transfers Out	(510,000)	(533,500)	(533,500)	0
Advances In	0	40,000	40,000	0
Total Other Financing Sources (Uses):	(510,000)	(444,000)	(443,852)	148
Net Change in Fund Balance	(210,229)	(462,738)	42,219	504,957
Fund Balance at Beginning of Year	2,074,043	2,074,043	2,074,043	0
Prior Year Encumbrances	58,574	58,574	58,574	0
Fund Balance at End of Year	\$ 1,922,388	\$ 1,669,879	\$ 2,174,836	\$ 504,957

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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 532,157	\$ 549,961	\$ 554,855	\$ 4,894
Intergovernmental Revenue	58,136	57,163	58,609	1,446
Investment Earnings	1,250	1,800	4,129	2,329
All Other Revenues	0	6,000	6,161	161
Total Revenues	<u>591,543</u>	<u>614,924</u>	<u>623,754</u>	<u>8,830</u>
Expenditures:				
Current:				
Security of Persons and Property	<u>529,719</u>	<u>740,149</u>	<u>703,692</u>	<u>36,457</u>
Total Expenditures	<u>529,719</u>	<u>740,149</u>	<u>703,692</u>	<u>36,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	61,824	(125,225)	(79,938)	45,287
Fund Balance at Beginning of Year	239,651	239,651	239,651	0
Prior Year Encumbrances	<u>1,523</u>	<u>1,523</u>	<u>1,523</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 302,998</u>	<u>\$ 115,949</u>	<u>\$ 161,236</u>	<u>\$ 45,287</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2005**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 513,100	\$ 1,780,830	\$ 2,293,930	\$ 33,854
Investments	0	996,997	996,997	0
Receivables:				
Accounts	141,753	297,061	438,814	0
Inventory of Supplies at Cost	53,408	17,000	70,408	0
Prepaid Items	17,629	22,895	40,524	0
Total current assets	<u>725,890</u>	<u>3,114,783</u>	<u>3,840,673</u>	<u>33,854</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	305,427	2,843,784	3,149,211	0
Depreciable Capital Assets, Net	9,701,008	6,090,540	15,791,548	0
Total noncurrent assets	<u>10,006,435</u>	<u>8,934,324</u>	<u>18,940,759</u>	<u>0</u>
Total Assets	<u>10,732,325</u>	<u>12,049,107</u>	<u>22,781,432</u>	<u>33,854</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	19,499	60,658	80,157	87,253
Accrued Wages and Benefits Payable	20,833	11,165	31,998	0
Accrued Interest Payable	9,534	0	9,534	0
General Obligation Bonds Payable - Current	145,000	0	145,000	0
OWDA Loans Payable - Current	0	501,140	501,140	0
Compensated Absences Payable - Current	5,591	3,889	9,480	0
Total current liabilities	<u>200,457</u>	<u>576,852</u>	<u>777,309</u>	<u>87,253</u>
Noncurrent liabilities:				
General Obligation Bonds Payable	2,330,000	0	2,330,000	0
OWDA Loans Payable	0	5,365,847	5,365,847	0
Compensated Absences Payable	73,953	22,230	96,183	0
Total noncurrent liabilities	<u>2,403,953</u>	<u>5,388,077</u>	<u>7,792,030</u>	<u>0</u>
Total Liabilities	<u>2,604,410</u>	<u>5,964,929</u>	<u>8,569,339</u>	<u>87,253</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	7,531,435	3,067,337	10,598,772	0
Unrestricted (Deficit)	596,480	3,016,841	3,613,321	(53,399)
Total net assets	<u>\$ 8,127,915</u>	<u>\$ 6,084,178</u>	<u>14,212,093</u>	<u>\$ (53,399)</u>
Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.			<u>(10,426)</u>	
Net Assets of Business-type Activities			<u>\$ 14,201,667</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, 2005**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
Operating Revenues:				
Charges for Services	\$ 1,295,093	\$ 2,455,205	\$ 3,750,298	\$ 795,480
Other Operating Revenue	2,692	0	2,692	154,610
Total Operating Revenues	<u>1,297,785</u>	<u>2,455,205</u>	<u>3,752,990</u>	<u>950,090</u>
Operating Expenses:				
Personal Services	534,108	503,932	1,038,040	805,488
Contractual Services	264,731	603,186	867,917	0
Materials and Supplies	192,043	100,140	292,183	0
Depreciation	352,241	371,302	723,543	0
Total Operating Expenses	<u>1,343,123</u>	<u>1,578,560</u>	<u>2,921,683</u>	<u>805,488</u>
Operating Income (Loss)	(45,338)	876,645	831,307	144,602
Non-operating Revenue (Expenses):				
Intergovernmental Revenues	26,642	0	26,642	0
Investment Earnings	0	20,949	20,949	0
Interest and Fiscal Charges	(119,671)	(287,558)	(407,229)	0
Total Non-operating Revenues (Expenses)	<u>(93,029)</u>	<u>(266,609)</u>	<u>(359,638)</u>	<u>0</u>
Income (Loss) Before Transfers and Contributions	(138,367)	610,036	471,669	144,602
Capital Contributions	13,568	92,270	105,838	0
Transfers In	22,035	21,573	43,608	0
Transfers Out	(76,774)	0	(76,774)	0
Change in Net Assets	(179,538)	723,879	544,341	144,602
Net Assets (Deficit) Beginning of Year	<u>8,307,453</u>	<u>5,360,299</u>	<u>13,667,752</u>	<u>(198,001)</u>
Net Assets (Deficit) End of Year	<u>\$ 8,127,915</u>	<u>\$ 6,084,178</u>	<u>14,212,093</u>	<u>\$ (53,399)</u>
			Change in Net Assets - Total Enterprise Funds	544,341
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	25,981
			Change in Net Assets - Business-type Activities	<u>\$ 570,322</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, 2005**

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
Cash Flows from Operating Activities:				
Cash Received from Customers	\$1,286,121	\$2,463,530	\$3,749,651	\$795,480
Cash Payments for Goods and Services	(454,583)	(769,716)	(1,224,299)	0
Cash Payments to Employees	(533,807)	(539,471)	(1,073,278)	(920,213)
Other Operating Cash Receipts	2,692	0	2,692	154,610
Net Cash Provided by Operating Activities	300,423	1,154,343	1,454,766	29,877
Cash Flows from Noncapital Financing Activities:				
Intergovernmental Grants	76,774	0	76,774	0
Transfers In from Other Funds	22,035	21,573	43,608	0
Transfers Out from Other Funds	(76,774)	0	(76,774)	0
Net Cash Provided by Noncapital Financing Activities	22,035	21,573	43,608	0
Cash Flows from Capital and Related Financing Activities:				
OWDA Loan Proceeds	0	807,712	807,712	0
Principal Paid on General Obligation Bonds	(135,000)	0	(135,000)	0
Acquisition and Construction of Assets	(65,319)	(777,446)	(842,765)	0
Principal Paid on Ohio Water Development Authority Loans	0	(577,379)	(577,379)	0
Principal Paid on Installment Loans	0	0	0	0
Interest Paid on All Debt	(120,150)	(287,558)	(407,708)	0
Net Cash Used for Capital and Related Financing Activities	(320,469)	(834,671)	(1,155,140)	0
Cash Flows from Investing Activities:				
Purchase of Investments	0	(54,878)	(54,878)	0
Receipts of Interest	0	59,226	59,226	0
Net Cash Provided by Investing Activities	0	4,348	4,348	0
Net Increase in Cash and Cash Equivalents	1,989	345,593	347,582	29,877
Cash and Cash Equivalents at Beginning of Year	511,111	1,435,237	1,946,348	3,977
Cash and Cash Equivalents at End of Year	\$513,100	\$1,780,830	\$2,293,930	\$33,854
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by Operating Activities:				
Operating Income (Loss)	(\$45,338)	\$876,645	\$831,307	\$144,602
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	352,241	371,302	723,543	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(8,972)	8,325	(647)	0
Decrease in Inventory	7,726	1,022	8,748	0
(Increase) Decrease in Prepaid Items	504	(2,160)	(1,656)	0
Decrease in Accounts Payable	(6,633)	(65,830)	(72,463)	(114,725)
Decrease in Accrued Wages and Benefits Payable	(71)	(7,057)	(7,128)	0
Increase (Decrease) in Compensated Absences Payable	966	(27,904)	(26,938)	0
Total Adjustments	345,761	277,698	623,459	(114,725)
Net Cash Provided by Operating Activities	\$300,423	\$1,154,343	\$1,454,766	\$29,877

Schedule of Noncash Investing, Capital and Financing Activities:

During 2005, the Water and Sewer Funds received \$13,568 and \$92,270, respectively, of capital assets donated by developers. The fair value of investments reported in the Sewer Fund decreased by \$38,277 during 2005.

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Assets
Fiduciary Fund
December 31, 2005**

	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	<u>3,631</u>
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, 2005**

	Private Purpose Trust
Additions:	
Total Additions	\$ 0
Deductions:	
Total Deductions	0
Change in Net Assets	0
Net Assets at Beginning of Year	3,631
Net Assets End of Year	\$ 3,631

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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, 2005 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, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

Property taxes measurable as of December 31, 2005 but which are not intended to finance 2005 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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.

E. Budgetary Process

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

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

1. Tax Budget

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

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 2005, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

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)	(\$180)	(\$54,836)
Increase (Decrease):		
Accrued Revenues at December 31, 2005 received during 2006	(569,882)	(1,759)
Accrued Revenues at December 31, 2004 received during 2005	634,449	0
Accrued Expenditures at December 31, 2005 paid during 2006	217,215	37,289
Accrued Expenditures at December 31, 2004 paid during 2005	(172,505)	(36,292)
2004 Prepays for 2005	50,854	0
2005 Prepays for 2006	(57,689)	(1,115)
Outstanding Encumbrances	(60,043)	(23,225)
Budget Basis	<u>\$42,219</u>	<u>(\$79,938)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2005, 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 5, "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 2005. 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, 2005.

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, 2005, 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, 2005***

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, 2005**

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
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, 2005***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

M. Restricted Assets

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

N. Pensions

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

O. Operating Revenues and Expenses

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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, 2005***

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	\$84,951
Delinquent Property Tax Revenue	107,285
Interest Income	49,124
Shared Revenues	<u>387,375</u>
	\$628,735

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$4,950,000)
Capital Leases Payable	(6,964)
Accrued Interest on Long-Term Debt	(18,236)
Compensated Absences Payable	<u>(701,959)</u>
	(\$5,677,159)

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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	\$698,299
Depreciation Expense	(1,287,098)
	<u>(\$588,799)</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	(\$10,268)
Decrease in Delinquent Property Tax	(12,409)
Decrease in Shared Revenue	73,970
Increase in Interest Income	29,625
	<u>\$80,918</u>

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

General Obligation Bond Principal	\$420,000
Installment Loan Principal	10,674
Capital Lease Payments	6,286
	<u>\$436,960</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$78,063)
Decrease in supplies inventory	(1,245)
	<u>(\$79,308)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 3 –RESTATEMENT OF AMOUNTS PREVIOUSLY REPORTED

Restatement of Fund Balance and Net Assets - The fund balance of the County Permissive License Tax Fund and the net assets of governmental activities were restated to correct an error in the recognition of intergovernmental receivables. The correction resulted in changes to fund balance and governmental net assets reported at December 31, 2004 as follows:

	County Permissive License Tax Fund	Governmental Activities
Fund Balance/Net Assets at December 31, 2004 (as reported)	\$47,421	\$22,877,679
Adjustments:		
Intergovernmental Receivable	(70,260)	0
Deferred Revenue	46,840	(70,260)
Fund Balance/Net Assets at December 31, 2004 (as restated)	\$24,001	\$22,807,419

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2005 of \$65,235 in the Fire Pension Fund, \$61,180 in the Police Pension Fund (special revenue funds) and of \$53,399 in the Self Insurance Fund (internal service fund) arise from the recognition of expenditures/expenses on the modified accrual/accrual basis that are greater than expenditures/expenses recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

NOTE 5 - 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

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

A. Deposits

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits (Continued)

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

At year end the carrying amount of the City's deposits was \$5,840,622 and the bank balance was \$6,038,107. Federal depository insurance covered \$200,000 of the bank balance. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$5,838,107</u>
Total Balance	<u><u>\$5,838,107</u></u>

B. Investments

The City's investments at December 31, 2005 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
STAR Ohio	\$890,237	AAAm ¹	\$890,237	\$0	\$0
FNMA	618,288	AAA ¹	0	394,671	223,617
FHLB	277,269	AAA ¹	0	277,269	0
FHLMC	847,146	AAA ¹	0	734,944	112,202
Negotiable CD's	440,000	AAA ²	440,000	0	0
Total Investments	<u>\$3,072,940</u>		<u>\$1,330,237</u>	<u>\$1,406,884</u>	<u>\$335,819</u>

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

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 20.1% are FNMA, 9% are FHLB, 27.6% are FHLMC, and 29% are STAR Ohio.

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$72,072 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per GASB Statement No. 9	\$5,730,859	\$3,182,703
Certificates of Deposit (with maturities of more than 3 months)	1,000,000	(1,000,000)
Investments:		
STAR Ohio	(890,237)	890,237
Per GASB Statement No. 3	<u>\$5,840,622</u>	<u>\$3,072,940</u>

* Does not include cash with fiscal agent.

NOTE 6 - 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 2005 were levied after October 1, 2004 on assessed values as of January 1, 2004, 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 2005. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2005 was \$5.40 per \$1,000 of assessed value. The assessed value upon which the 2005 levy was based was \$302,719,520. This amount constitutes \$249,266,330 in real property assessed value, \$5,945,990 in public utility assessed value and \$47,507,200 in tangible personal property assessed value.

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

B. Income Tax

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

NOTE 7 - RECEIVABLES

Receivables at December 31, 2005 consisted of taxes, interest, accounts receivables and intergovernmental receivables arising from shared revenues.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2005:

Fund	Transfer In	Transfer Out
Governmental Activities:		
General Fund	\$49,648	\$533,500
Fire Levy Fund	0	0
Capital Improvement Fund	703,301	5,569
Other Governmental Funds	557,487	738,201
Total Governmental Transfers	1,310,436	1,277,270
Business Type Activities:		
Water Fund	22,035	76,774
Sewer Fund	21,573	0
Total Business Type Transfers	43,608	76,774
Totals	\$1,354,044	\$1,354,044

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

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Non-Depreciable Capital Assets:				
Land	\$5,938,722	\$0	\$0	\$5,938,722
Construction in Progress	33,350	129,687	(26,700)	136,337
Subtotal	5,972,072	129,687	(26,700)	6,075,059
Depreciable Capital Assets:				
Buildings	4,788,916	20,000	0	4,808,916
Improvements other than Buildings	2,905,220	30,429	0	2,935,649
Machinery and Equipment	6,100,063	466,624	(158,224)	6,408,463
Infrastructure	13,844,344	78,259	(68,349)	13,854,254
Subtotal	27,638,543	595,312	(226,573)	28,007,282
Total Cost	\$33,610,615	\$724,999	(\$253,273)	\$34,082,341

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$1,808,312)	(\$113,496)	\$0	(\$1,921,808)
Improvements other than Buildings	(603,962)	(135,708)	0	(739,670)
Machinery and Equipment	(3,745,832)	(388,909)	158,079	(3,976,662)
Infrastructure	(5,461,711)	(648,985)	51,489	(6,059,207)
Total Depreciation	(\$11,619,817)	(\$1,287,098) *	\$209,568	(\$12,697,347)
Net Value:	\$21,990,798			\$21,384,994

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$255,057
Leisure Time Activities	195,493
Community Environment	45,031
Transportation	766,033
General Government	25,484
Total Depreciation Expense	\$1,287,098

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2005:

Historical Cost:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Non-Depreciable Capital Assets:				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	2,271,699	822,692	(342,554)	2,751,837
Subtotal	2,669,073	822,692	(342,554)	3,149,211
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	4,818,014	37,222	0	4,855,236
Infrastructure	11,381,215	390,654	0	11,771,869
Subtotal	30,424,984	427,876	0	30,852,860
Total Cost	\$33,094,057	\$1,250,568	(\$342,554)	\$34,002,071

Accumulated Depreciation:

Class	December 31, 2004	Additions	Deletions	December 31, 2005
Buildings	(\$3,736,298)	(\$321,278)	\$0	(\$4,057,576)
Improvements Other Than Buildings	(528,315)	(74,891)	0	(603,206)
Machinery and Equipment	(3,844,054)	(98,034)	0	(3,942,088)
Infrastructure	(6,229,102)	(229,340)	0	(6,458,442)
Total Depreciation	(\$14,337,769)	(\$723,543)	\$0	(\$15,061,312)
Net Value:	\$18,756,288			\$18,940,759

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 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 2005, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2005 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, 2005, 2004, and 2003 were \$354,470, \$363,309 and \$360,525, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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 under the TP and CO plans 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 2005 employer contribution rate (identified above) that was used to fund health care for the year 2005 was 4.0% of covered payroll which amounted to \$104,641.

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, 2004. 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 2004 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 for the TP and CO Plans was 376,109. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2004 is \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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, 2005, 2004, and 2003 were \$207,341, \$194,543 and \$199,796 for police and \$256,342, \$231,547 and \$222,767 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 2005 covered payroll that was used to fund postemployment health care benefits was \$79,747 representing 7.75% of covered payroll for police and \$82,777 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, 2004, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,812 for police and 10,528 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, 2004 were \$102,173,796, which was net of member contributions of \$55,665,341.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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, 2005, the City's accumulated, unpaid compensated absences amounted to \$807,622. Of this amount, \$701,959 is recorded as Governmental Activities on the Entity Wide Statement of Net Assets (\$35,019 is reported as due within one year), \$105,663 is recorded as Business-type activities (\$9,480 is reported as due within one year).

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CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

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

Long-term debt and other long-term obligations of the City at December 31, 2005 were as follows:

	Original Liability		Balance December 31, 2004	Additions	(Reductions)	Balance December 31, 2005	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
3.70 - 4.25%	30th Street Improvement	\$1,420,000	2005	\$200,000	\$0	(\$200,000)	\$0
3.70 - 4.75%	Fire Station Improvement	1,900,000	2018	1,490,000	0	(80,000)	1,410,000
4.25 - 5.05%	Swimming Pool Improvement	1,850,000	2022	1,720,000	0	(65,000)	1,655,000
3.00 - 5.00%	State Route 79 Improvement	2,035,000	2023	1,960,000	0	(75,000)	1,885,000
Total General Obligation Bonds				5,370,000	0	(420,000)	4,950,000
	Installment Loan Payable	95,165		10,674	0	(10,674)	0
	Capital Leases	28,164		13,250	0	(6,286)	6,964
	Compensated Absences			623,896	701,959	(623,896)	701,959
Total Governmental Long-Term Debt				\$6,017,820	\$701,959	(\$1,060,856)	\$5,658,923
Business Type Activities:							
General Obligation Bond:							
3.70 - 4.75%	Water Improvement	\$3,340,000	2018	\$2,610,000	\$0	(\$135,000)	\$2,475,000
Ohio Water Development Authority Loans:							
5.00%	Loan SRF-112	6,558,290	2012	3,054,383	0	(374,415)	2,679,968
5.00%	Loan SRF-114	1,668,457	2010	632,379	0	(102,577)	529,802
3.76%	Loan SRF-4011	2,757,604	2018	1,949,892	807,712	(100,387)	2,657,217
Total OWDA Loans				5,636,654	807,712	(577,379)	5,866,987
	Compensated Absences			132,601	105,663	(132,601)	105,663
Total Business Type Long-Term Debt				\$8,379,255	\$913,375	(\$844,980)	\$8,447,650

Principal and interest requirements to retire long-term debt outstanding at December 31, 2005 were as follows:

Years	General Obligation Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2006	\$380,000	\$333,250	\$501,139	\$154,302
2007	385,000	317,459	526,509	128,932
2008	400,000	301,862	553,164	102,277
2009	415,000	285,495	581,168	74,274
2010	435,000	268,409	544,152	44,825
2011-2015	2,470,000	1,040,937	3,160,855	18,863
2016-2020	2,255,000	438,799	0	0
2021-2023	685,000	61,460	0	0
Totals	\$7,425,000	\$3,047,671	\$5,866,987	\$523,473

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2005**

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 last payment on the refunded bonds, \$205,000, was made during 2005. 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 (\$28,164) 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, 2005:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>
2006	\$5,220
2007	<u>2,274</u>
Minimum Lease Payments	7,494
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(530)</u>
Present value of minimum lease payments	<u><u>\$6,964</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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 \$87,253 reported in the fund at December 31, 2005 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 2004 and 2005 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>
2004	\$90,680	\$952,951	(\$841,653)	\$201,978
2005	201,978	805,488	(920,213)	87,253

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2005***

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, 2005, the City had the following significant contractual commitments outstanding:

<u>Project</u>	<u>Remaining Contractual Commitment</u>
State Route 79 Safety Improvements	\$545,232
Sludge Handling Improvements	45,443
Irvingwick Dr. Bike Trail Connection	29,724
Total	<u>\$620,399</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.

Federal Emergency Management Agency (FEMA) Fund

To account for Federal Emergency Management Agency funds received as reimbursement for winter clean up by the Street Department. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Law Enforcement Trust Fund

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

Enforcement and Education Fund

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

D.A.R.E. Fund

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

(Continued)

Debt Service Fund

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

General Obligation Debt Service Fund

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

Capital Projects Fund

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

County Road Fund

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

Irving Wick Drive Improvement Fund

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

Blackfoot Trail Replacement Fund

To account for financial resources used for the replacement of the Blackfoot Trail. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Parks and Recreation Capital Improvement Fund

To account for financial resources used for the improvement of the City's parks and recreation facilities.

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, 2005**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 365,500	\$ 507,055	\$ 218,190	\$ 19,536	\$ 1,110,281
Investments	0	0	0	54,485	54,485
Receivables:					
Taxes	168,222	0	31,710	0	199,932
Intergovernmental	241,127	0	0	0	241,127
Inventory of Supplies, at Cost	57,339	0	0	0	57,339
Prepaid Items	12,018	0	0	0	12,018
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	72,072	0	0	0	72,072
Total Assets	\$ 916,278	\$ 507,055	\$ 249,900	\$ 74,021	\$ 1,747,254
Liabilities:					
Accounts Payable	\$ 6,736	\$ 0	\$ 0	\$ 0	\$ 6,736
Accrued Wages and Benefits Payable	152,328	0	0	0	152,328
Deferred Revenue	403,174	0	4,248	0	407,422
Total Liabilities	562,238	0	4,248	0	566,486
Fund Balances:					
Reserved for Encumbrances	5,854	0	0	0	5,854
Reserved for Prepaid Items	12,018	0	0	0	12,018
Reserved for Supplies Inventory	57,339	0	0	0	57,339
Reserved for Debt Service	0	0	245,652	0	245,652
Undesignated/Unreserved	278,829	507,055	0	74,021	859,905
Total Fund Balances	354,040	507,055	245,652	74,021	1,180,768
Total Liabilities and Fund Balances	\$ 916,278	\$ 507,055	\$ 249,900	\$ 74,021	\$ 1,747,254

CITY OF HEATH, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2005***

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Nonmajor Debt Service Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 145,823	\$ 0	\$ 260,416	\$ 0	\$ 406,239
Intergovernmental Revenues	547,400	13,571	0	0	560,971
Charges for Services	568,270	0	0	2,265	570,535
Licenses and Permits	0	10,336	0	0	10,336
Investment Earnings	0	0	0	2,092	2,092
Fines and Forfeitures	12,746	0	0	0	12,746
All Other Revenue	10,932	0	0	0	10,932
Total Revenue	<u>1,285,171</u>	<u>23,907</u>	<u>260,416</u>	<u>4,357</u>	<u>1,573,851</u>
Expenditures:					
Current:					
Security of Persons and Property	452,384	0	0	0	452,384
Leisure Time Activities	337,947	0	0	13,800	351,747
Transportation	770,575	22,125	0	0	792,700
Debt Service:					
Principal Retirement	75,674	0	355,000	0	430,674
Interest and Fiscal Charges	81,845	0	154,695	0	236,540
Total Expenditures	<u>1,718,425</u>	<u>22,125</u>	<u>509,695</u>	<u>13,800</u>	<u>2,264,045</u>
Excess (Deficiency) of Revenues Over Expenditures	(433,254)	1,782	(249,279)	(9,443)	(690,194)
Other Financing Sources (Uses):					
Transfers In	557,487	0	0	0	557,487
Transfers Out	(104,089)	(626,527)	0	(7,585)	(738,201)
Total Other Financing Sources (Uses)	<u>453,398</u>	<u>(626,527)</u>	<u>0</u>	<u>(7,585)</u>	<u>(180,714)</u>
Net Change in Fund Balance	20,144	(624,745)	(249,279)	(17,028)	(870,908)
Fund Balances at Beginning of Year, Restated	340,250	1,131,800	494,931	91,049	2,058,030
Decrease in Inventory Reserve	(6,354)	0	0	0	(6,354)
Fund Balances End of Year	<u>\$ 354,040</u>	<u>\$ 507,055</u>	<u>\$ 245,652</u>	<u>\$ 74,021</u>	<u>\$ 1,180,768</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Assets:				
Cash and Cash Equivalents	\$ 210,620	\$ 48,397	\$ 15,543	\$ 48,317
Receivables:				
Taxes	0	0	0	0
Intergovernmental	215,893	17,505	0	0
Inventory of Supplies, at Cost	54,538	0	0	2,801
Prepaid Items	6,676	0	0	5,322
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	72,072	0
Total Assets	<u>\$ 487,727</u>	<u>\$ 65,902</u>	<u>\$ 87,615</u>	<u>\$ 56,440</u>
Liabilities:				
Accounts Payable	\$ 4,909	\$ 1,261	\$ 0	\$ 566
Accrued Wages and Benefits Payable	17,886	0	0	997
Deferred Revenue	143,928	11,670	72,072	0
Total Liabilities	<u>166,723</u>	<u>12,931</u>	<u>72,072</u>	<u>1,563</u>
Fund Balances:				
Reserved for Encumbrances	5,854	0	0	0
Reserved for Prepaid Items	6,676	0	0	5,322
Reserved for Supplies Inventory	54,538	0	0	2,801
Undesignated/Unreserved	253,936	52,971	15,543	46,754
Total Fund Balances	<u>321,004</u>	<u>52,971</u>	<u>15,543</u>	<u>54,877</u>
Total Liabilities and Fund Balances	<u>\$ 487,727</u>	<u>\$ 65,902</u>	<u>\$ 87,615</u>	<u>\$ 56,440</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>
\$ 3,827	\$ 2,781	\$ 2,554	\$ 15,022	\$ 18,439	\$ 365,500
84,111	84,111	0	0	0	168,222
3,852	3,852	25	0	0	241,127
0	0	0	0	0	57,339
0	0	0	0	20	12,018
0	0	0	0	0	72,072
<u>\$ 91,790</u>	<u>\$ 90,744</u>	<u>\$ 2,579</u>	<u>\$ 15,022</u>	<u>\$ 18,459</u>	<u>\$ 916,278</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,736
69,273	64,172	0	0	0	152,328
<u>87,752</u>	<u>87,752</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>403,174</u>
<u>157,025</u>	<u>151,924</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>562,238</u>
0	0	0	0	0	5,854
0	0	0	0	20	12,018
0	0	0	0	0	57,339
<u>(65,235)</u>	<u>(61,180)</u>	<u>2,579</u>	<u>15,022</u>	<u>18,439</u>	<u>278,829</u>
<u>(65,235)</u>	<u>(61,180)</u>	<u>2,579</u>	<u>15,022</u>	<u>18,459</u>	<u>354,040</u>
<u>\$ 91,790</u>	<u>\$ 90,744</u>	<u>\$ 2,579</u>	<u>\$ 15,022</u>	<u>\$ 18,459</u>	<u>\$ 916,278</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, 2005***

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	395,100	32,035	0	0
Charges for Services	0	0	0	568,270
Fines and Forfeitures	0	0	0	0
All Other Revenue	3,004	0	0	1,000
Total Revenue	398,104	32,035	0	569,270
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	0	337,947
Transportation	743,293	18,824	8,458	0
Debt Service:				
Principal Retirement	10,674	0	0	65,000
Interest and Fiscal Charges	303	0	0	81,542
Total Expenditures	754,270	18,824	8,458	484,489
Excess (Deficiency) of Revenues Over Expenditures	(356,166)	13,211	(8,458)	84,781
Other Financing Sources (Uses):				
Transfers In	353,987	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	353,987	0	0	0
Net Change in Fund Balance	(2,179)	13,211	(8,458)	84,781
Fund Balances at Beginning of Year, Restated	328,869	39,760	24,001	(29,236)
Decrease in Inventory Reserve	(5,686)	0	0	(668)
Fund Balances End of Year	\$ 321,004	\$ 52,971	\$ 15,543	\$ 54,877

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>FEMA</u>	<u>Law Enforcement Trust</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 72,912	\$ 72,911	\$ 0	\$ 0	\$ 0	\$ 0	\$ 145,823
8,088	8,088	104,089	0	0	0	547,400
0	0	0	0	0	0	568,270
0	0	0	9,341	1,241	2,164	12,746
0	0	0	4,869	0	2,059	10,932
<u>81,000</u>	<u>80,999</u>	<u>104,089</u>	<u>14,210</u>	<u>1,241</u>	<u>4,223</u>	<u>1,285,171</u>
183,697	213,854	0	40,700	10,802	3,331	452,384
0	0	0	0	0	0	337,947
0	0	0	0	0	0	770,575
0	0	0	0	0	0	75,674
0	0	0	0	0	0	81,845
<u>183,697</u>	<u>213,854</u>	<u>0</u>	<u>40,700</u>	<u>10,802</u>	<u>3,331</u>	<u>1,718,425</u>
(102,697)	(132,855)	104,089	(26,490)	(9,561)	892	(433,254)
93,500	110,000	0	0	0	0	557,487
0	0	(104,089)	0	0	0	(104,089)
<u>93,500</u>	<u>110,000</u>	<u>(104,089)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>453,398</u>
(9,197)	(22,855)	0	(26,490)	(9,561)	892	20,144
(56,038)	(38,325)	0	29,069	24,583	17,567	340,250
0	0	0	0	0	0	(6,354)
<u>\$ (65,235)</u>	<u>\$ (61,180)</u>	<u>\$ 0</u>	<u>\$ 2,579</u>	<u>\$ 15,022</u>	<u>\$ 18,459</u>	<u>\$ 354,040</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005**

	<u>County Road</u>	<u>Irving Wick Drive Improvement</u>	<u>Parks and Recreation Capital Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets:				
Cash and Cash Equivalents	\$ 476,404	\$ 20,315	\$ 10,336	\$ 507,055
Total Assets	<u>\$ 476,404</u>	<u>\$ 20,315</u>	<u>\$ 10,336</u>	<u>\$ 507,055</u>
Liabilities:				
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:				
Undesignated/Unreserved	<u>476,404</u>	<u>20,315</u>	<u>10,336</u>	<u>507,055</u>
Total Fund Balances	<u>476,404</u>	<u>20,315</u>	<u>10,336</u>	<u>507,055</u>
Total Liabilities and Fund Balances	<u>\$ 476,404</u>	<u>\$ 20,315</u>	<u>\$ 10,336</u>	<u>\$ 507,055</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, 2005**

	County Road	Irving Wick Drive Improvement	Blackfoot Trail Replacement	Parks and Recreation Capital Improvement	Total Nonmajor Capital Project Funds
Revenues:					
Intergovernmental Revenues	\$ 0	\$ 13,571	\$ 0	\$ 0	\$ 13,571
Licenses and Permits	0	0	0	10,336	10,336
Total Revenue	0	13,571	0	10,336	23,907
Expenditures:					
Current:					
Transportation	22,125	0	0	0	22,125
Total Expenditures	22,125	0	0	0	22,125
Excess (Deficiency) of Revenues Over Expenditures	(22,125)	13,571	0	10,336	1,782
Other Financing Sources (Uses):					
Transfers Out	0	(530,514)	(96,013)	0	(626,527)
Total Other Financing Sources (Uses)	0	(530,514)	(96,013)	0	(626,527)
Net Change in Fund Balance	(22,125)	(516,943)	(96,013)	10,336	(624,745)
Fund Balances at Beginning of Year	498,529	537,258	96,013	0	1,131,800
Fund Balances End of Year	\$ 476,404	\$ 20,315	\$ 0	\$ 10,336	\$ 507,055

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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,967,145	\$ 5,012,931	\$ 5,034,587	\$ 21,656
Intergovernmental Revenues	451,806	507,592	517,637	10,045
Charges for Services	124,200	130,200	136,369	6,169
Licenses and Permits	28,850	33,050	35,896	2,846
Investment Earnings	110,000	148,000	154,816	6,816
Fines and Forfeitures	35,000	21,000	21,857	857
All Other Revenues	15,520	43,911	77,092	33,181
Total Revenues	<u>5,732,521</u>	<u>5,896,684</u>	<u>5,978,254</u>	<u>81,570</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,141,489	1,295,756	1,266,456	29,300
Materials and Supplies	45,353	47,353	44,703	2,650
Contractual Services	140,521	162,179	131,028	31,151
Capital Outlay	8,500	10,500	9,453	1,047
Total Police	<u>1,335,863</u>	<u>1,515,788</u>	<u>1,451,640</u>	<u>64,148</u>
Communications:				
Personal Services	414,183	462,693	453,183	9,510
Materials and Supplies	0	1,142	1,142	0
Contractual Services	40,500	42,720	40,730	1,990
Total Communications	<u>454,683</u>	<u>506,555</u>	<u>495,055</u>	<u>11,500</u>
Fire:				
Personal Services	830,118	974,998	966,404	8,594
Materials and Supplies	71,597	77,322	66,488	10,834
Contractual Services	120,865	119,595	100,605	18,990
Capital Outlay	1,000	2,000	1,000	1,000
Total Fire	<u>1,023,580</u>	<u>1,173,915</u>	<u>1,134,497</u>	<u>39,418</u>
Street Lighting:				
Contractual Services	65,000	65,000	64,683	317
Total Street Lighting	<u>65,000</u>	<u>65,000</u>	<u>64,683</u>	<u>317</u>
Total Security of Persons and Property	<u>2,879,126</u>	<u>3,261,258</u>	<u>3,145,875</u>	<u>115,383</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, 2005***

	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	455,620	476,200	456,268	19,932
Materials and Supplies	50,982	50,982	36,145	14,837
Contractual Services	287,546	303,134	245,504	57,630
Other Expenditures	3,500	3,500	115	3,385
Capital Outlay	39,500	39,500	14,809	24,691
Total Leisure Time Activities	<u>837,148</u>	<u>873,316</u>	<u>752,841</u>	<u>120,475</u>
Community Environment:				
Planning and Zoning:				
Personal Services	132,110	138,943	137,297	1,646
Materials and Supplies	2,250	2,250	663	1,587
Contractual Services	127,245	127,244	118,950	8,294
Other Expenditures	250	250	0	250
Capital Outlay	23,090	23,090	19,889	3,201
Total Community Environment	<u>284,945</u>	<u>291,777</u>	<u>276,799</u>	<u>14,978</u>
General Government:				
Mayor:				
Personal Services	72,085	72,685	72,645	40
Materials and Supplies	542	542	175	367
Contractual Services	1,805	1,805	371	1,434
Total Mayor	<u>74,432</u>	<u>75,032</u>	<u>73,191</u>	<u>1,841</u>
City Council:				
Personal Services	37,800	37,800	37,462	338
Materials and Supplies	502	502	416	86
Contractual Services	1,050	3,350	2,212	1,138
Total City Council	<u>39,352</u>	<u>41,652</u>	<u>40,090</u>	<u>1,562</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, 2005***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Law Director:				
Personal Services	101,390	104,440	104,432	8
Contractual Services	106,342	106,342	87,763	18,579
Total Law Director	<u>207,732</u>	<u>210,782</u>	<u>192,195</u>	<u>18,587</u>
Clerk of Council:				
Personal Services	36,083	37,083	37,026	57
Materials and Supplies	642	642	222	420
Total Clerk of Council	<u>36,725</u>	<u>37,725</u>	<u>37,248</u>	<u>477</u>
Auditor:				
Personal Services	42,500	42,500	42,500	0
Materials and Supplies	642	642	223	419
Contractual Services	1,530	1,530	979	551
Total Auditor	<u>44,672</u>	<u>44,672</u>	<u>43,702</u>	<u>970</u>
General Administrative:				
Personal Services	221,234	248,674	241,704	6,970
Materials and Supplies	8,847	8,847	4,493	4,354
Contractual Services	263,280	264,280	209,406	54,874
Other Expenditures	0	5,000	5,000	0
Capital Outlay	2,500	2,500	546	1,954
Total General Administrative	<u>495,861</u>	<u>529,301</u>	<u>461,149</u>	<u>68,152</u>
Court Fees:				
Contractual Services	19,909	19,909	2,509	17,400
Total Court Fees	<u>19,909</u>	<u>19,909</u>	<u>2,509</u>	<u>17,400</u>
Civil Service:				
Contractual Services	6,500	6,500	900	5,600
Total Civil Service	<u>6,500</u>	<u>6,500</u>	<u>900</u>	<u>5,600</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, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Safety/Service:				
Personal Services	63,085	66,515	65,276	1,239
Materials and Supplies	11,532	11,532	9,467	2,065
Contractual Services	81,510	81,510	67,901	13,609
Capital Outlay	9,500	9,500	9,500	0
Total Safety/Service	<u>165,627</u>	<u>169,057</u>	<u>152,144</u>	<u>16,913</u>
Income Tax:				
Personal Services	249,999	263,719	227,923	35,796
Materials and Supplies	13,495	13,745	12,594	1,151
Contractual Services	14,227	13,427	11,979	1,448
Capital Outlay	8,000	8,550	8,544	6
Total Income Tax	<u>285,721</u>	<u>299,441</u>	<u>261,040</u>	<u>38,401</u>
Total General Government	<u>1,376,531</u>	<u>1,434,071</u>	<u>1,264,168</u>	<u>169,903</u>
Total Expenditures	<u>5,432,750</u>	<u>5,915,422</u>	<u>5,492,183</u>	<u>423,239</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	299,771	(18,738)	486,071	504,809
Other Financing Sources (Uses):				
Transfers In	0	49,500	49,648	148
Transfers Out	(510,000)	(533,500)	(533,500)	0
Advances In	0	40,000	40,000	0
Total Other Financing Sources (Uses)	<u>(510,000)</u>	<u>(444,000)</u>	<u>(443,852)</u>	<u>148</u>
Net Change in Fund Balance	(210,229)	(462,738)	42,219	504,957
Fund Balance at Beginning of Year	2,074,043	2,074,043	2,074,043	0
Prior Year Encumbrances	58,574	58,574	58,574	0
Fund Balance at End of Year	<u>\$ 1,922,388</u>	<u>\$ 1,669,879</u>	<u>\$ 2,174,836</u>	<u>\$ 504,957</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, 2005***

	FIRE LEVY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 532,157	\$ 549,961	\$ 554,855	\$ 4,894
Intergovernmental Revenues	58,136	57,163	58,609	1,446
Investment Earnings	1,250	1,800	4,129	2,329
All Other Revenues	0	6,000	6,161	161
Total Revenues	<u>591,543</u>	<u>614,924</u>	<u>623,754</u>	<u>8,830</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	430,105	465,535	461,042	4,493
Materials and Supplies	5,000	5,000	0	5,000
Contractual Services	13,650	13,650	11,116	2,534
Capital Outlay	80,964	255,964	231,534	24,430
Total Expenditures	<u>529,719</u>	<u>740,149</u>	<u>703,692</u>	<u>36,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	61,824	(125,225)	(79,938)	45,287
Fund Balance at Beginning of Year	239,651	239,651	239,651	0
Prior Year Encumbrances	1,523	1,523	1,523	0
Fund Balance at End of Year	<u>\$ 302,998</u>	<u>\$ 115,949</u>	<u>\$ 161,236</u>	<u>\$ 45,287</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, 2005**

CAPITAL IMPROVEMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues:			
Taxes	\$ 150,000	\$ 150,092	\$ 92
Intergovernmental Revenues	117,800	117,838	38
All Other Revenues	172,400	172,468	68
Total Revenues	<u>440,200</u>	<u>440,398</u>	<u>198</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	7,134	7,110	24
Materials and Supplies	976	96	880
Capital Outlay	163,062	155,752	7,310
Total Security of Persons and Property	<u>171,172</u>	<u>162,958</u>	<u>8,214</u>
Leisure Time Activities:			
Parks:			
Contractual Services	47,672	47,672	0
Capital Outlay	95	0	95
Total Leisure Time Activities	<u>47,767</u>	<u>47,672</u>	<u>95</u>
Transportation:			
Streets Department:			
Contractual Services	633,305	608,638	24,667
Capital Outlay	506,981	370,325	136,656
Total Transportation	<u>1,140,286</u>	<u>978,963</u>	<u>161,323</u>
General Government:			
General Administrative:			
Capital Outlay	4,770	4,770	0
Total General Administrative	<u>4,770</u>	<u>4,770</u>	<u>0</u>

(Continued)

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Project Funds
For the Year Ended December 31, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Safety/Service:			
Contractual Services	24,500	24,500	0
Total Safety/Service	24,500	24,500	0
Total General Government	29,270	29,270	0
Total Expenditures	1,416,147	1,230,115	186,032
Excess (Deficiency) of Revenues Over (Under) Expenditures	(975,947)	(789,717)	186,230
Other Financing Sources (Uses):			
Transfers In	703,300	703,301	1
Transfers Out	(5,569)	(5,569)	0
Total Other Financing Sources (Uses)	697,731	697,732	1
Net Change in Fund Balance	(278,216)	(91,985)	186,231
Fund Balance at Beginning of Year	1,031,955	1,031,955	0
Prior Year Encumbrances	473,839	473,839	0
Fund Balance at End of Year	<u>\$ 1,227,578</u>	<u>\$ 1,413,809</u>	<u>\$ 186,231</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 381,000	\$ 382,378	\$ 1,378
All Other Revenues	2,000	3,004	1,004
Total Revenues	<u>383,000</u>	<u>385,382</u>	<u>2,382</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	587,430	564,013	23,417
Materials and Supplies	157,013	124,536	32,477
Contractual Services	80,750	74,007	6,743
Capital Outlay	10,500	3,560	6,940
Total Expenditures	<u>835,693</u>	<u>766,116</u>	<u>69,577</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(452,693)	(380,734)	71,959
Other Financing Sources (Uses):			
Transfers In	<u>335,000</u>	<u>353,987</u>	<u>18,987</u>
Total Other Financing Sources (Uses)	<u>335,000</u>	<u>353,987</u>	<u>18,987</u>
Net Change in Fund Balance	(117,693)	(26,747)	90,946
Fund Balance at Beginning of Year	218,647	218,647	0
Prior Year Encumbrances	<u>12,763</u>	<u>12,763</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 113,717</u>	<u>\$ 204,663</u>	<u>\$ 90,946</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 29,500	\$ 31,003	\$ 1,503
Total Revenues	<u>29,500</u>	<u>31,003</u>	<u>1,503</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	18,000	11,000	7,000
Contractual Services	<u>7,600</u>	<u>7,600</u>	<u>0</u>
Total Expenditures	<u>25,600</u>	<u>18,600</u>	<u>7,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,900	12,403	8,503
Fund Balance at Beginning of Year	<u>35,994</u>	<u>35,994</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 39,894</u>	<u>\$ 48,397</u>	<u>\$ 8,503</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Transportation:			
Street Department:			
Capital Outlay	8,458	8,458	0
Total Expenditures	8,458	8,458	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,458)	(8,458)	0
Fund Balance at Beginning of Year	24,001	24,001	0
Fund Balance at End of Year	\$ 15,543	\$ 15,543	\$ 0

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, 2005**

SWIMMING POOL FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 567,000	\$ 568,270	\$ 1,270
All Other Revenues	1,000	1,000	0
Total Revenues	<u>568,000</u>	<u>569,270</u>	<u>1,270</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	182,780	182,779	1
Materials and Supplies	54,990	53,371	1,619
Contractual Services	104,350	101,510	2,840
Capital Outlay	1,700	0	1,700
Total Leisure Time Activities	<u>343,820</u>	<u>337,660</u>	<u>6,160</u>
Debt Service:			
Principal Retirement	65,000	65,000	0
Interest and Fiscal Charges	81,542	81,542	0
Total Expenditures	<u>490,362</u>	<u>484,202</u>	<u>6,160</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,638	85,068	7,430
Other Financing Sources (Uses):			
Advances Out	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>0</u>
Net Change in Fund Balance	37,638	45,068	7,430
Fund Balance at Beginning of Year	3,249	3,249	0
Fund Balance at End of Year	<u>\$ 40,887</u>	<u>\$ 48,317</u>	<u>\$ 7,430</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 72,292	\$ 72,912	\$ 620
Intergovernmental Revenues	8,045	7,877	(168)
Total Revenues	<u>80,337</u>	<u>80,789</u>	<u>452</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	170,735	170,683	52
Contractual Services	<u>2,020</u>	<u>1,455</u>	<u>565</u>
Total Expenditures	<u>172,755</u>	<u>172,138</u>	<u>617</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(92,418)	(91,349)	1,069
Other Financing Sources (Uses):			
Transfers In	<u>93,500</u>	<u>93,500</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>93,500</u>	<u>93,500</u>	<u>0</u>
Net Change in Fund Balance	1,082	2,151	1,069
Fund Balance at Beginning of Year	1,676	1,676	0
Fund Balance at End of Year	<u>\$ 2,758</u>	<u>\$ 3,827</u>	<u>\$ 1,069</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, 2005***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 72,292	\$ 72,911	\$ 619
Intergovernmental Revenues	8,045	7,877	(168)
Total Revenues	<u>80,337</u>	<u>80,788</u>	<u>451</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	197,100	197,050	50
Contractual Services	<u>2,020</u>	<u>1,455</u>	<u>565</u>
Total Expenditures	<u>199,120</u>	<u>198,505</u>	<u>615</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(118,783)	(117,717)	1,066
Other Financing Sources (Uses):			
Transfers In	<u>110,000</u>	<u>110,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>110,000</u>	<u>110,000</u>	<u>0</u>
Net Change in Fund Balance	(8,783)	(7,717)	1,066
Fund Balance at Beginning of Year	10,498	10,498	0
Fund Balance at End of Year	<u>\$ 1,715</u>	<u>\$ 2,781</u>	<u>\$ 1,066</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, 2005**

	FEMA FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Intergovernmental Revenues	\$ 104,089	\$ 104,089	\$ 0
Total Revenues	<u>104,089</u>	<u>104,089</u>	<u>0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,089	104,089	0
Other Financing Sources (Uses):			
Transfers Out	<u>(104,089)</u>	<u>(104,089)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(104,089)</u>	<u>(104,089)</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 Special Revenue Funds
For the Year Ended December 31, 2005***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	\$ 9,000	\$ 9,316	\$ 316
All Other Revenues	4,600	4,869	269
Total Revenues	<u>13,600</u>	<u>14,185</u>	<u>585</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	600	0	600
Contractual Services	32,130	21,994	10,136
Other Expenditures	2,000	0	2,000
Capital Outlay	20,766	18,706	2,060
Total Expenditures	<u>55,496</u>	<u>40,700</u>	<u>14,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,896)	(26,515)	15,381
Fund Balance at Beginning of Year	29,069	29,069	0
Fund Balance at End of Year	<u>\$ (12,827)</u>	<u>\$ 2,554</u>	<u>\$ 15,381</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	1,290	1,291	1
Total Revenues	<u>1,290</u>	<u>1,291</u>	<u>1</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	9,628	2,872	6,756
Capital Outlay	12,930	7,930	5,000
Total Expenditures	<u>22,558</u>	<u>10,802</u>	<u>11,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,268)	(9,511)	11,757
Fund Balance at Beginning of Year	24,533	24,533	0
Fund Balance at End of Year	<u>\$ 3,265</u>	<u>\$ 15,022</u>	<u>\$ 11,757</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, 2005**

	D.A.R.E. FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Fines and Forfeitures	\$ 2,162	\$ 2,164	\$ 2
All Other Revenues	2,058	2,059	1
Total Revenues	<u>4,220</u>	<u>4,223</u>	<u>3</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	3,000	2,416	584
Contractual Services	<u>1,600</u>	<u>935</u>	<u>665</u>
Total Expenditures	<u>4,600</u>	<u>3,351</u>	<u>1,249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(380)	872	1,252
Fund Balance at Beginning of Year	17,567	17,567	0
Fund Balance at End of Year	<u>\$ 17,187</u>	<u>\$ 18,439</u>	<u>\$ 1,252</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 259,875	\$ 262,661	\$ 2,786
Total Revenues	<u>259,875</u>	<u>262,661</u>	<u>2,786</u>
Expenditures:			
Debt Service:			
Principal Retirement	355,000	355,000	0
Interest and Fiscal Charges	<u>154,695</u>	<u>154,695</u>	<u>0</u>
Total Expenditures	<u>509,695</u>	<u>509,695</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(249,820)	(247,034)	2,786
Fund Balance at Beginning of Year	<u>465,224</u>	<u>465,224</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 215,404</u>	<u>\$ 218,190</u>	<u>\$ 2,786</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 94,300	\$ 94,378	\$ 78
Total Revenues	<u>94,300</u>	<u>94,378</u>	<u>78</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	227,074	22,125	204,949
Total Expenditures	<u>227,074</u>	<u>22,125</u>	<u>204,949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(132,774)	72,253	205,027
Fund Balance at Beginning of Year	177,077	177,077	0
Prior Year Encumbrances	227,074	227,074	0
Fund Balance at End of Year	<u>\$ 271,377</u>	<u>\$ 476,404</u>	<u>\$ 205,027</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 71,157	\$ 71,157	\$ 0
Total Revenues	<u>71,157</u>	<u>71,157</u>	<u>0</u>
Expenditures:			
Transportation:			
Streets Department:			
Capital Outlay	20,315	0	20,315
Total Expenditures	<u>20,315</u>	<u>0</u>	<u>20,315</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,842	71,157	20,315
Other Financing Sources (Uses):			
Transfers Out	(530,514)	(530,514)	0
Total Other Financing Sources (Uses)	<u>(530,514)</u>	<u>(530,514)</u>	<u>0</u>
Net Change in Fund Balance	(479,672)	(459,357)	20,315
Fund Balance at Beginning of Year	459,357	459,357	0
Prior Year Encumbrances	20,315	20,315	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 20,315</u>	<u>\$ 20,315</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 96,013	\$ 96,013	\$ 0
Total Revenues	<u>96,013</u>	<u>96,013</u>	<u>0</u>
Expenditures:			
Transportation:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,013	96,013	0
Other Financing Sources (Uses):			
Transfers Out	<u>(96,013)</u>	<u>(96,013)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(96,013)</u>	<u>(96,013)</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 Capital Projects Funds
For the Year Ended December 31, 2005***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Licenses and Permits	\$ 10,300	\$ 10,336	\$ 36
Total Revenues	<u>10,300</u>	<u>10,336</u>	<u>36</u>
Expenditures:			
Leisure Time Activities:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,300	10,336	36
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 10,300</u>	<u>\$ 10,336</u>	<u>\$ 36</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, 2005**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 2,250	\$ 2,265	\$ 15
Investment Earnings	2,400	2,469	69
Total Revenues	<u>4,650</u>	<u>4,734</u>	<u>84</u>
Expenditures:			
Leisure Time Activities:			
Parks:			
Capital Outlay	13,800	13,800	0
Total Expenditures	<u>13,800</u>	<u>13,800</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,150)	(9,066)	84
Other Financing Sources (Uses):			
Transfers Out	<u>(7,585)</u>	<u>(7,585)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(7,585)</u>	<u>(7,585)</u>	<u>0</u>
Net Change in Fund Balance	(16,735)	(16,651)	84
Fund Balance at Beginning of Year	91,187	91,187	0
Fund Balance at End of Year	<u>\$ 74,452</u>	<u>\$ 74,536</u>	<u>\$ 84</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, 2005***

<u>Capital Assets:</u>	
Land	\$5,938,722
Construction in Progress	136,337
Buildings	4,808,916
Improvements Other Than Buildings	2,935,649
Machinery and Equipment	6,408,463
Infrastructure	13,854,254
Total Capital Assets	<u>\$34,082,341</u>
<u>Investment in Capital Assets:</u>	
Assets Acquired Prior to 1990	\$161,599
General Fund	1,792,540
Special Revenue Funds	2,976,516
Capital Projects Funds	25,972,333
Proprietary Funds	11,922
Fiduciary Funds	23,507
Grants	517,737
Donations	2,626,187
Total Investment in Capital Assets	<u>\$34,082,341</u>

CITY OF HEATH, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2005***

<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	40,000
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>2,023,545</u>
<u>Transportation:</u>			
Streets	<u>4,927,938</u>	<u>104,694</u>	<u>294,622</u>
<u>Community Environment:</u>			
Zoning	<u>0</u>	<u>11,728</u>	<u>0</u>
<u>Leisure Time Activities:</u>			
Parks	712,706	19,915	1,152,022
Swimming Pool	0	0	556,562
Total Leisure Time Activities	<u>712,706</u>	<u>19,915</u>	<u>1,708,584</u>
Total Capital Assets	<u><u>\$5,938,722</u></u>	<u><u>\$136,337</u></u>	<u><u>\$4,808,916</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	64,564	0	1,103,971
1,952	12,109	0	34,186
0	20,373	0	20,373
<u>21,131</u>	<u>116,440</u>	<u>0</u>	<u>1,177,924</u>
4,013	798,752	0	842,765
40,287	28,260	0	68,547
15,467	3,259,954	0	5,298,856
0	5,650	0	5,650
<u>59,767</u>	<u>4,092,616</u>	<u>0</u>	<u>6,215,818</u>
<u>47,607</u>	<u>1,449,248</u>	<u>13,854,254</u>	<u>20,678,363</u>
<u>12,237</u>	<u>233,605</u>	<u>0</u>	<u>257,570</u>
735,110	429,813	0	3,049,566
2,059,797	86,741	0	2,703,100
<u>2,794,907</u>	<u>516,554</u>	<u>0</u>	<u>5,752,666</u>
<u>\$2,935,649</u>	<u>\$6,408,463</u>	<u>\$13,854,254</u>	<u>\$34,082,341</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, 2005**

Function and Activity	December 31, 2004	Transfers	Additions	Deletions	December 31, 2005
<u>General Government:</u>					
Mayor	\$3,849	\$0	\$0	\$0	\$3,849
City Council	9,770	0	0	0	9,770
Clerk of Council	3,827	0	0	0	3,827
City Auditor	1,948	0	0	0	1,948
General Administration	1,106,700	(2,729)	0	0	1,103,971
Safety/Service	34,186	0	0	0	34,186
Income Tax	20,617	0	1,044	(1,288)	20,373
Total General Government	<u>1,180,897</u>	<u>(2,729)</u>	<u>1,044</u>	<u>(1,288)</u>	<u>1,177,924</u>
<u>Security of Persons and Property:</u>					
Police	753,986	2,729	181,858	(95,808)	842,765
Communications	68,547	0	0	0	68,547
Fire	5,079,236	0	223,452	(3,832)	5,298,856
Occupational Safety and Health Administration	5,650	0	0	0	5,650
Total Security of Persons and Property	<u>5,907,419</u>	<u>2,729</u>	<u>405,310</u>	<u>(99,640)</u>	<u>6,215,818</u>
<u>Transportation:</u>					
Streets	20,520,213	0	266,951	(108,801)	20,678,363
<u>Community Environment:</u>					
Zoning	248,170	0	11,728	(2,328)	257,570
<u>Leisure Time Activities:</u>					
Parks	3,050,816	0	39,966	(41,206)	3,049,576
Swimming Pool	2,703,100	0	0	0	2,703,100
Total Leisure Time Activities	<u>5,753,916</u>	<u>0</u>	<u>39,966</u>	<u>(41,206)</u>	<u>5,752,676</u>
Total Capital Assets	<u><u>\$33,610,615</u></u>	<u><u>\$0</u></u>	<u><u>\$724,999</u></u>	<u><u>(\$253,263)</u></u>	<u><u>\$34,082,351</u></u>

STATISTICAL SECTION



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>
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
2005	4,301,917	52,500	1,084,526	261,315	770,575	1,233,082	674,569	8,378,484

(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>
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
2005	5,954,372	1,141,457	704,639	35,896	159,426	34,812	94,185	8,124,787

(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>
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%
2005	1,477,672	1,300,610	77,427	1,378,037	93.26%	99,635	6.74%

Source: Licking County Auditor

**TANGIBLE TAX COLLECTED
LAST TEN YEARS**

<u>Year Paid</u>	<u>Amount</u>
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
2005	271,791

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	
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%
2005	249,266,330	712,189,514	5,945,990	18,581,219	47,507,200	190,028,800	302,719,520	920,799,533	32.88%

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						
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
2005	2.30	0.30	0.30	2.50	5.40	49.28	3.00	45.92	36.30	82.21	7.40

Source: Licking County Auditor
Licking County Treasurer

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2005**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$302,719,520	\$302,719,520
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	31,785,550	16,649,574
Applicable City Debt Outstanding (2)	4,950,000	4,950,000
Less: Applicable Debt Service Fund Amounts	(245,652)	(245,652)
Net Indebtedness Subject to Limitation	<u>4,704,348</u>	<u>4,704,348</u>
Legal Debt Margin	<u><u>\$27,081,202</u></u>	<u><u>\$11,945,226</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>
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
2005	b 8,527	302,719,520	4,950,000	245,652	4,704,348	1.55%	551.70

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**

<u>Year</u>	<u>Debt Principal</u>	<u>Debt Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Tax Debt Service to General Governmental Expenditures</u>
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%
2005	420,000	236,237	656,237	8,378,484	7.83%

CITY OF HEATH, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2005**

<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	\$4,704,348	100.00%	\$4,704,348
Overlapping Subdivisions			
Heath City School District	175,525	94.12%	165,204
Licking County	14,837,526	8.04%	<u>1,192,937</u>
		Subtotal	<u>1,358,141</u>
		Total	<u><u>\$6,062,489</u></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>
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
2005	b	8,527	c	145,491	5.8%	1,643

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>
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
2005	48	11,798,883	16	10,152,712

Source: City of Heath Building Department

CITY OF HEATH, OHIO

**PRINCIPAL TAXPAYERS (PROPERTY TAX)
DECEMBER 31, 2005**

	<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	\$14,329,140	4.73%
2	Meritor Heavy Vehicle Systems LLC	Manufacturer	9,564,450	3.16%
3	Kaiser Aluminum and Chemical Corporation	Aluminum Processing	7,494,620	2.48%
4	Cross Creek Ltd Partnership	Shopping Center	4,447,870	1.47%
5	Southgate Association Limited Partnership	Shopping Center	4,234,690	1.40%
6	Inland Western Heath Southgate LLC	Retail	4,203,890	1.39%
7	Ohio Power Co.	Utility Company - Electric	3,556,980	1.18%
8	Lowes Home Center Incorporated	Retail - Home Improvement	3,527,860	1.17%
9	Heathwood Village Limited Partnership	Real Estate - Leasing	3,098,480	1.02%
10	Heath-Newark-Licking County Port Authority	Real Estate - Leasing	2,643,730	0.86%
		Sub-Total	57,101,710	18.86%
		All Others	245,617,810	81.14%
		Total	\$302,719,520	100.00%

Based on valuation of property taxes assessed in 2005
Source: Licking County Auditor - Land and Buildings

CITY OF HEATH, OHIO

**PRINCIPAL TAXPAYERS (INCOME TAX)
DECEMBER 31, 2005**

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Amount of Tax Paid in 2005</u>	<u>Percentage of Total Tax Paid in 2005</u>
1	Central Ohio Aerospace & Technology Center	Manufacturing	\$824,253	17.05%
2	Arvin/Meritor/Rockwell	Manufacturing	488,431	10.11%
3	Kaiser Aluminum and Chemical Corporation	Manufacturing	196,011	4.06%
4	Lowes	Retail - Home Improvement	181,849	3.76%
5	Heath City Schools	Education	110,912	2.29%
6	Matthews Ford	Automobile Sales and Service	107,231	2.22%
7	Englefield Oil	Petroleum Products	99,090	2.05%
8	CHS Ohio Valley Inc.	Nursing Home	84,693	1.75%
9	City of Heath	Government	70,077	1.45%
10	Wal-Mart	Retail	68,597	1.42%
		Sub-Total	<u>2,231,144</u>	<u>46.16%</u>
		All Others	<u>2,602,312</u>	<u>53.84%</u>
		Total	<u><u>\$4,833,456</u></u>	<u><u>100.00%</u></u>

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Source: Heath City Auditor

CITY OF HEATH, OHIO

PRINCIPAL EMPLOYERS DECEMBER 31, 2005

	<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, 2005**

	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	387	Number of Treatment Plants	1
Miles of Streets	87	3rd - 5th grades	403	Miles of Waterlines	74
Number of Street Lights	705	6th - 8th grades	398	Number of Fire Hydrants	588
Miles of Storm Sewers	52	Secondary Schools		Number of Service Connections	3,425
		9th -12th grades	470	Average Daily	
Police Services:		Heath Students Attending		Consumption (gallons)	1,200,000
Number of Stations	1	Licking County JVS (11th -12th grades)	51	Maximum Daily Capacity	
Number of Uniformed Police Officers	18			of Plant (gallons)	4,000,000
Number Reserve Personnel	5	Recreation and Culture:			
Number of Patrol Units	8	Number of Parks	11	Sewerage System:	
Traffic Citations Issued	1,135	Park Area (acres)	376	Number of Treatment Plants	1
Physical Arrests	583	Number of Ball Fields:		Miles of Sanitary Sewers	59
		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	Water Park	1		
Number of Volunteer		Playground Areas	2		
Fire/EMS Personnel	22	Vita Course - 2 mile	1		
Number of Calls Answered	1,864	Fitness and Recreation Center	1		
Number of Inspections	354	Bike/Walking Paths			
		Enclosed Shelter House	1		
		Cultural Arts Center: Davis Shai House	1		

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 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, 2005, and have issued our report thereon dated May 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Heath's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 May 3, 2006.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 3, 2006

SCHEDULE OF FINDINGS

**CITY OF HEATH
LICKING COUNTY
DECEMBER 31, 2005**

1. AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
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
JULY 25, 2006**