

CITY OF HEATH, OHIO

Licking County



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

Prepared by the City Auditor's Department

Mr. Jay R. Morrow
City Auditor



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CITY OF HEATH LICKING COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF HEATH

Mark D. Johns
Mayor

Jay R. Morrow
Auditor

David C. Morrison
Director of Law

1287 Hebron Road * Heath, OH 43056 * P: (740) 522-1420 * F: (740) 522-6324 * www.heathohio.gov

July 31, 2017

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 year ended December 31, 2016. The report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

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

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

The Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity; Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

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

***Letter of Transmittal
For the Year Ended December 31, 2016***

The City of Heath

The City of Heath continues to be a growing community located twenty-five miles east of Ohio’s capital city, Columbus. It is bounded on the north by the City of Newark, the county seat of Licking County. The City's elevation is approximately 830 feet above sea level. Its median temperatures are 75 degrees in summer and 30.2 degrees in winter. State highways 79 and 13 serve as the City's major transportation arteries. The east-west interstate highway I-70 that lies approximately 6 miles south also serves the City. Heath’s 10.5 square mile area serves a residential population of 10,310 (census 2010) and an estimated daytime population of 45,000. The daytime population is concentrated in the State Route 79 corridor, the area of the Central Ohio Aerospace and Technology Center, the Indian Mound Mall, and Southgate and Cross Creek Shopping Centers.

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

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

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

Labor Relations

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

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

CITY OF HEATH, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2016***

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

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

<u>Bargaining Unit</u>	<u>Agreement Expiration Date</u>	<u>Number of Employees Covered</u>
Fraternal Order of Police, Ohio Labor Council (Dispatchers)	March 31, 2017	5
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2017	17
International Association of Firefighters Local 2930	April 17, 2017	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2017	32

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

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

- 9 Elected Officials
- 1 Appointed Clerk of Council
- 1 Appointed law advisors
- 2 Exempted classified employees
- 1 Appointed Administrative Assistant
- 6 Department Heads

***Letter of Transmittal
For the Year Ended December 31, 2016***

ECONOMIC OUTLOOK & MAJOR INITIATIVES

The City of Heath experienced quite a lot of activity in 2016. In the commercial sector, Carnival Foods and Michaels are perhaps the two most-prominent businesses to have left the community. Quite a few new businesses opened in Heath during 2016, including an acquisition and total remodel of the movie theater at the Indian Mound Mall by AMC Movie Theaters. Massey's Pizza also sought to benefit from the strength of the mall by opening up a new restaurant in a vacant location there. The first Moo Moo Car Wash in Licking County opened in Heath, as well as the popular restaurant Raising Cane's.

On the industrial side, the companies located at the Heath-Newark-Licking County Port Authority continued to accomplish their vital missions for the federal government and others. In addition to the City's other manufacturers continuing operations, interest in Heath's industrial corridor was shown by at least 47 companies and/or projects looking to expand their operations in Ohio and other locations in the Midwest. Heath continues to be an attractive option for them to consider.

Plans for 2017 include:

Streets	Resurfacing and Storm Sewer Repair	\$320,000
Water/Sewer	Completion of Water Tower Project	1,200,000
Police	New Patrol Vehicles	50,000

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

1. The City's assets are protected against loss and unauthorized use or disposition.
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

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

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation.
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and the Auditor's office.

***Letter of Transmittal
For the Year Ended December 31, 2016***

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

The Auditor's office is responsible for the auditing and analysis of all purchase orders of the City. Personnel of the Auditor's office carefully review purchase orders to ensure the availability of monies in the proper funds and accounts prior to the certification and subsequent payment of approved invoices. The City utilizes a fully automated accounting system as well as an automated system of controls for capital asset accounting and payroll. These systems, coupled with the review and examination performed by the City Auditor's office, ensure that the financial information generated is both accurate and reliable.

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

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

Lower levels within each object are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level appropriations are not approved unless additional appropriations are authorized. Unencumbered appropriations return (lapse) to the unappropriated balances in the individual funds at the end of each fiscal year, which coincides with the calendar year.

***Letter of Transmittal
For the Year Ended December 31, 2016***

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the year ended December 31, 2015. The City has received this award each year since 1994. The GFOA awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 through 2008. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

Public Disclosure

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

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

***Letter of Transmittal
For the Year Ended December 31, 2016***

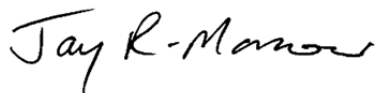
Acknowledgments

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; Rebecca McComb, Assistant Auditor; Debbie Whitefield, HR Director; and our Department Heads for the extra effort they put forth in the preparation of this report.

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

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

Respectfully,



Jay R. Morrow
City Auditor

CITY OF HEATH, OHIO

**List of Principal Officials
For the Year Ended December 31, 2016**

<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>	<i>SURETY</i>
Mark D. Johns	Mayor	01/01/2018	
Jay R. Morrow	Auditor	03/31/2020	B
Tim Kelley	Council Member – at Large President of Council	01/01/2020	
Cledys Henry	Council Member at Large President-Pro-Tem	01/01/2020	
Deborah Cole	Council Member at Large	01/01/2020	
Brian Johnson	Council Member - Ward 1	01/01/2018	
Richard Morrow	Council Member - Ward 2	01/01/2018	
Doug Heffley	Council Member - Ward 3	01/01/2018	
Jeffrey Crabill	Council Member at Large	01/01/2020	

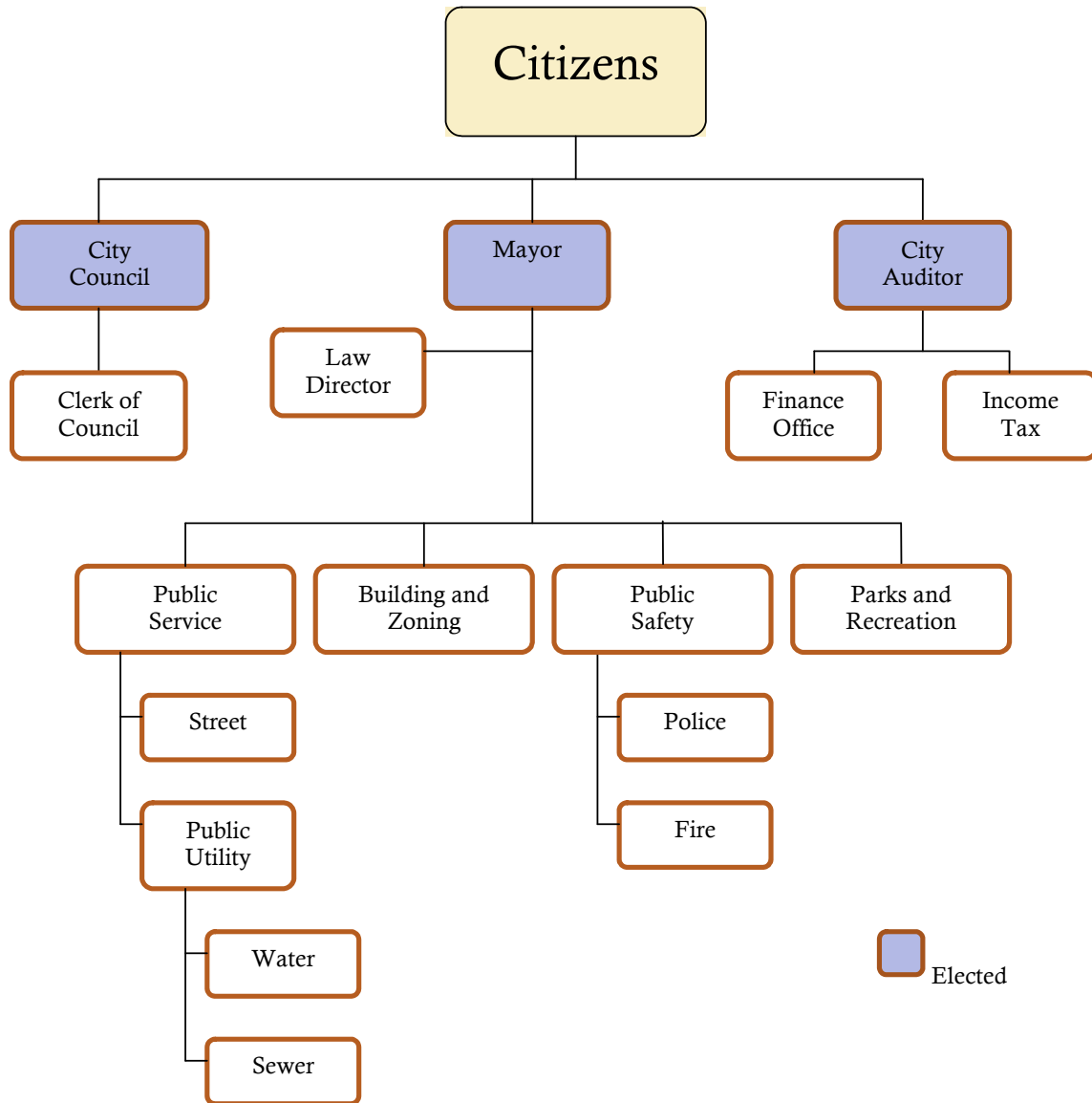
<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>	<i>SURETY</i>
Kimberly Geller	Income Tax Commissioner	Indefinite	A
David Haren	Police Chief	Indefinite	
Warren McCord	Fire Chief	Indefinite	
John Geller	Utilities Director	Indefinite	
Robert Geller	Street and Parks Superintendent	Indefinite	
Eddie Hunt	Building and Zoning Inspector	Indefinite	
David C. Morrison	Law Director	Indefinite	
Rebecca McComb	Assistant Auditor	Indefinite	
Lynn M. Hunt	Clerk of Council	Indefinite	
Ginna Walker	Mayor's Secretary/Administrative Assistant	Indefinite	
Deborah K. Whitefield	Administrative Assistant	Indefinite	
Charles Kyle	Recreation Director	Indefinite	

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

City Address:

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

**City Organizational Chart
For the Year Ended December 31, 2016**



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 |



Government Finance Officers Association

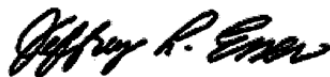
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Heath
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015



Executive Director/CEO

FINANCIAL SECTION



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



INDEPENDENT AUDITOR'S REPORT

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Heath, Licking County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General and Fire Levy Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

City of Heath
Licking County
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
July 31, 2017



***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

Unaudited

The management's discussion and analysis of the City of Heath's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

In total, net position increased \$808,595. Net position of governmental activities increased \$334,600 which represents a 1.1% increase from 2015. Net position of business-type activities increased \$473,995 or 2.5% from 2015.

General revenues accounted for \$8.5 million in revenue or 56.7% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for 43.3% of total revenues of \$15 million.

The City had \$10.2 million in expenses related to governmental activities; \$2.1 million of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes) of \$8.5 million assisted in providing for these programs.

Among major funds, the general fund had \$7.7 million in revenues and \$7.2 million in expenditures and other financing uses. The general fund's fund balance increased \$585,857 to \$3.8 million.

Net position for enterprise funds increased by \$479,710. Revenues decreased 5.2% and expenses were relatively flat in 2016 when compared to 2015. The City collected fewer user charges in 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position between December 31, 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$9,741,513	\$8,246,610	\$5,576,014	\$5,715,104	\$15,317,527	\$13,961,714
Capital assets, Net	35,433,767	35,314,580	22,693,430	22,255,424	58,127,197	57,570,004
Total assets	45,175,280	43,561,190	28,269,444	27,970,528	73,444,724	71,531,718
Deferred Outflows of Resources	2,788,758	1,127,025	453,660	146,886	3,242,418	1,273,911
Net Pension Liability	10,520,292	8,407,676	1,182,131	837,032	11,702,423	9,244,708
Long-term debt outstanding	3,997,937	3,390,273	7,890,844	8,093,470	11,888,781	11,483,743
Other liabilities	355,904	359,087	102,602	121,054	458,506	480,141
Total liabilities	14,874,133	12,157,036	9,175,577	9,051,556	24,049,710	21,208,592
Deferred Inflows of Resources	1,614,925	1,390,799	22,840	15,166	1,637,765	1,405,965
Net position						
Net investment in Capital Assets	32,767,862	32,583,035	14,895,733	14,247,988	47,663,595	46,831,023
Restricted	3,397,635	3,096,603	0	0	3,397,635	3,096,603
Unrestricted	(4,690,517)	(4,539,258)	4,628,954	4,802,704	(61,563)	263,446
Total net position	\$31,474,980	\$31,140,380	\$19,524,687	\$19,050,692	\$50,999,667	\$50,191,072

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Changes in Net position – The following table shows the changes in net position for the fiscal year 2016 and 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for Services and Sales	\$1,140,181	\$1,019,737	\$4,441,037	\$4,681,685	\$5,581,218	\$5,701,422
Operating Grants and Contributions	686,525	695,090	0	0	686,525	695,090
Capital Grants and Contributions	235,239	8,992	0	0	235,239	8,992
Total Program Revenues	<u>2,061,945</u>	<u>1,723,819</u>	<u>4,441,037</u>	<u>4,681,685</u>	<u>6,502,982</u>	<u>6,405,504</u>
General revenues:						
Property Taxes	1,429,374	1,173,389	0	0	1,429,374	1,173,389
Income Taxes	6,438,248	6,023,648	0	0	6,438,248	6,023,648
Other Local Taxes	22,162	1,684	0	0	22,162	1,684
Intergovernmental Revenue, Unrestricted	410,657	447,701	0	0	410,657	447,701
Investment Earnings	140,161	137,416	10,273	14,410	150,434	151,826
Miscellaneous	80,045	120,042	0	0	80,045	120,042
Total General Revenues	<u>8,520,647</u>	<u>7,903,880</u>	<u>10,273</u>	<u>14,410</u>	<u>8,530,920</u>	<u>7,918,290</u>
Total Revenues	<u>10,582,592</u>	<u>9,627,699</u>	<u>4,451,310</u>	<u>4,696,095</u>	<u>15,033,902</u>	<u>14,323,794</u>
Program Expenses:						
Security of Persons and Property	6,172,133	5,380,059	0	0	6,172,133	5,380,059
Public Health and Welfare Services	57,369	55,970	0	0	57,369	55,970
Leisure Time Activities	1,308,192	1,220,510	0	0	1,308,192	1,220,510
Community Environment	309,048	257,150	0	0	309,048	257,150
Transportation	995,838	1,863,500	0	0	995,838	1,863,500
General Government	1,324,285	1,385,688	0	0	1,324,285	1,385,688
Interest and Fiscal Charges	81,127	81,723	0	0	81,127	81,723
Business Type Activities:						
Water	0	0	1,986,115	1,878,912	1,986,115	1,878,912
Sewer	0	0	1,991,200	2,060,955	1,991,200	2,060,955
Total Expenses	<u>10,247,992</u>	<u>10,244,600</u>	<u>3,977,315</u>	<u>3,939,867</u>	<u>14,225,307</u>	<u>14,184,467</u>
Total Change in Net Position	334,600	(616,901)	473,995	756,228	808,595	139,327
Beginning Net Position	<u>31,140,380</u>	<u>31,757,281</u>	<u>19,050,692</u>	<u>18,294,464</u>	<u>50,191,072</u>	<u>50,051,745</u>
Ending Net Position	<u>\$31,474,980</u>	<u>\$31,140,380</u>	<u>\$19,524,687</u>	<u>\$19,050,692</u>	<u>\$50,999,667</u>	<u>\$50,191,072</u>

***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

Unaudited

Governmental Activities

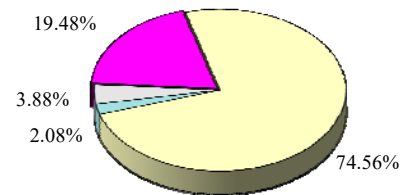
Net position of the City's governmental activities increased by \$344,600. Increases in property and income tax collections were the single largest cause for the increase in overall net position. Expenditures remained fairly consistent in 2016 compared to 2015.

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 13.5% and 60.8% respectively of revenues for governmental activities for the City in 2016. The City's reliance upon tax revenues is demonstrated by the following graph indicating 74.56% of total revenues from general tax revenues:

Revenue Sources	2016	Percent of Total
Intergovernmental Revenue, Unrestricted	\$410,657	3.88%
Program Revenues	2,061,945	19.48%
General Tax Revenues	7,889,784	74.56%
General Other	220,206	2.08%
Total Revenue	<u>\$10,582,592</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities increased by \$473,995. The 2.5% increase in net position can be attributed primarily to revenues outpacing expenses in 2016.

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$7,443,683, which is an increase from last year's balance of \$6,158,878. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	\$3,753,481	\$3,167,624	\$585,857
Fire Levy	882,091	276,935	605,156
Capital Improvement Fund	1,549,391	1,799,066	(249,675)
Other Governmental	1,258,720	915,253	343,467
Total	\$7,443,683	\$6,158,878	\$1,284,805

General Fund – The City's General Fund balance increased 18.5% from 2015. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2016 Revenues	2015 Revenues	Increase (Decrease)
Taxes	\$6,651,862	\$6,252,707	\$399,155
Intergovernmental Revenue	344,870	396,689	(51,819)
Charges for Services	452,305	429,763	22,542
Licenses and Permits	66,272	28,924	37,348
Investment Earnings	136,843	136,360	483
Fines and Forfeitures	12,059	14,221	(2,162)
All Other Revenue	80,045	120,042	(39,997)
Total	\$7,744,256	\$7,378,706	\$365,550

General Fund revenues increased by 5% over 2015. Income taxes increases accounted for the majority of the increase.

	2016 Expenditures	2015 Expenditures	Increase (Decrease)
Security of Persons and Property	\$4,198,119	\$4,201,606	(\$3,487)
Public Health and Welfare Services	57,369	55,970	1,399
Leisure Time Activities	532,563	553,178	(20,615)
Community Environment	223,270	292,709	(69,439)
General Government	1,356,752	1,302,020	54,732
Total	\$6,368,073	\$6,405,483	(\$37,410)

***Management’s Discussion and Analysis
For the Year Ended December 31, 2016***

Unaudited

General Fund expenditures decreased by \$37,410 or .6% under the prior year. Differences between functions are minor and the result of normal City operations.

Fire Levy Fund – The balance of this fund increased by \$605,156 or 219% over the prior year, as the City levied an additional property tax for the benefit of the City’s firefighting operations.

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 2016, the fund balance decreased by 13.9%.

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 2016, the City amended its General Fund budget several times. The increase in the final budgeted appropriations of \$506,101 was mainly the result of additional appropriations for the police department and transfers out to other funds.

For the General Fund, final budget basis revenue of \$6,438,351 did not change when compared to the original budget estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016 the City had \$58,127,197 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$35,433,767 was related to governmental activities and \$22,693,430 to the business-type activities. The following table shows 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land	\$10,075,521	\$10,075,521	\$0
Construction in Progress	4,500	4,500	0
Total Non-Depreciable Capital Assets	10,080,021	10,080,021	0
Buildings	6,515,070	6,515,070	0
Improvements Other Than Buildings	3,992,953	3,992,953	0
Machinery and Equipment	6,811,757	6,925,129	(113,372)
Infrastructure	29,464,652	28,710,642	754,010
Less: Accumulated Depreciation	(21,430,686)	(20,909,235)	(521,451)
Total Depreciable Capital Assets, Net	25,353,746	25,234,559	119,187
Totals	\$35,433,767	\$35,314,580	\$119,187

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2016	2015	
Land	\$397,374	\$397,374	\$0
Construction in Progress	624,890	493,479	131,411
Total Non-Depreciable Capital Assets	1,022,264	890,853	131,411
Buildings	17,018,225	17,018,225	0
Improvements Other Than Buildings	3,922,977	3,922,977	0
Machinery and Equipment	6,473,054	5,845,205	627,849
Infrastructure	17,951,622	17,326,946	624,676
Less: Accumulated Depreciation	(23,694,712)	(22,748,782)	(945,930)
Total Depreciable Capital Assets, Net	21,671,166	21,364,571	306,595
Totals	\$22,693,430	\$22,255,424	\$438,006

The largest increases in governmental activities capital assets occurred in infrastructure and was mainly a result of the completion of the Port Authority gateway.

Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2016, the City had \$3,660,000 in bonds outstanding, \$800,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2016 and 2015:

	2016	2015
Governmental Activities:		
General Obligation Bonds	\$1,925,000	\$2,285,000
Installment Loans Payable	710,000	0
Capital Leases	470,905	446,545
Compensated Absences	892,032	658,728
Net Pension Liability	10,520,292	8,407,676
Total Governmental Activities	14,518,229	11,797,949
Business-Type Activities:		
General Obligation Bonds	1,735,000	2,160,000
OWDA Loans	5,363,436	5,052,270
OPWC Loans	326,086	335,166
Capital Leases	373,175	460,000
Compensated Absences	93,147	86,034
Net Pension Liability	1,182,131	837,032
Total Business-Type Activities	9,072,975	8,930,502
Totals	\$23,591,204	\$20,728,451

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. At December 31, 2016, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 15.

ECONOMIC FACTORS

Income tax collections for 2016 increased insignificantly from 2015.

In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated. Also affecting the General Fund and budget are the upwardly spiraling health insurance costs.

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

REQUESTS FOR INFORMATION

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

CITY OF HEATH, OHIO

**Statement of Net Position
December 31, 2016**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 2,331,327	\$ 302,170	\$ 2,633,497
Investments	4,461,146	4,649,387	9,110,533
Receivables:			
Taxes	2,260,224	0	2,260,224
Accounts	6,812	547,914	554,726
Intergovernmental	339,918	0	339,918
Internal Balances	17,630	(17,630)	0
Inventory of Supplies at Cost	101,345	57,246	158,591
Prepaid Items	125,437	36,927	162,364
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	97,674	0	97,674
Non-Depreciable Capital Assets	10,080,021	1,022,264	11,102,285
Depreciable Capital Assets, Net	25,353,746	21,671,166	47,024,912
Total Assets	45,175,280	28,269,444	73,444,724
Deferred Outflows of Resources:			
Pension	2,788,758	453,660	3,242,418
Liabilities:			
Accounts Payable	43,758	50,196	93,954
Accrued Wages and Benefits Payable	192,243	41,288	233,531
Claims Payable	107,204	0	107,204
Accrued Interest Payable	12,699	11,118	23,817
Noncurrent liabilities:			
Due within one year	665,362	888,654	1,554,016
Due in more than one year:			
Net Pension Liability	10,520,292	1,182,131	11,702,423
Other Amounts Due in More Than One Year	3,332,575	7,002,190	10,334,765
Total Liabilities	14,874,133	9,175,577	24,049,710
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	1,545,252	0	1,545,252
Pension	69,673	22,840	92,513
Total Deferred Inflows of Resources:	1,614,925	22,840	1,637,765
Net Position:			
Net Investment in Capital Assets	32,767,862	14,895,733	47,663,595
Restricted For:			
Capital Projects	1,549,391	0	1,549,391
Debt Service	152,611	0	152,611
Security of Persons	509,216	0	509,216
Transportation	1,083,092	0	1,083,092
Leisure Time Activities	103,325	0	103,325
Unrestricted (Deficit)	(4,690,517)	4,628,954	(61,563)
Total Net Position	\$ 31,474,980	\$ 19,524,687	\$ 50,999,667

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2016**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 6,172,133	\$ 526,680	\$ 0	\$ 0
Public Health and Welfare Services	57,369	0	0	0
Leisure Time Activities	1,308,192	524,963	0	0
Community Environment	309,048	66,265	0	0
Transportation	995,838	9,285	686,525	235,239
General Government	1,324,285	12,988	0	0
Interest and Fiscal Charges	81,127	0	0	0
Total Governmental Activities	<u>10,247,992</u>	<u>1,140,181</u>	<u>686,525</u>	<u>235,239</u>
Business-Type Activities:				
Water	1,986,115	2,292,134	0	0
Sewer	1,991,200	2,148,903	0	0
Total Business-Type Activities	<u>3,977,315</u>	<u>4,441,037</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 14,225,307</u>	<u>\$ 5,581,218</u>	<u>\$ 686,525</u>	<u>\$ 235,239</u>

General Revenues:

Property Taxes
Municipal Income Taxes
Other Local Taxes
Intergovernmental Revenues, Unrestricted
Investment Earnings
Miscellaneous
Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,645,453)	\$ 0	\$ (5,645,453)
(57,369)	0	(57,369)
(783,229)	0	(783,229)
(242,783)	0	(242,783)
(64,789)	0	(64,789)
(1,311,297)	0	(1,311,297)
(81,127)	0	(81,127)
<u>(8,186,047)</u>	<u>0</u>	<u>(8,186,047)</u>
0	306,019	306,019
<u>0</u>	<u>157,703</u>	<u>157,703</u>
<u>0</u>	<u>463,722</u>	<u>463,722</u>
<u>(8,186,047)</u>	<u>463,722</u>	<u>(7,722,325)</u>
1,429,374	0	1,429,374
6,438,248	0	6,438,248
22,162	0	22,162
410,657	0	410,657
140,161	10,273	150,434
80,045	0	80,045
<u>8,520,647</u>	<u>10,273</u>	<u>8,530,920</u>
334,600	473,995	808,595
<u>31,140,380</u>	<u>19,050,692</u>	<u>50,191,072</u>
<u>\$ 31,474,980</u>	<u>\$ 19,524,687</u>	<u>\$ 50,999,667</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2016**

	General	Fire Levy	Capital Improvement
Assets:			
Cash and Cash Equivalents	\$ 195,265	\$ 899,662	\$ 94,552
Investments	3,006,307	0	1,454,839
Receivables:			
Taxes	1,266,058	798,898	0
Accounts	6,812	0	0
Intergovernmental	62,754	24,012	0
Inventory of Supplies, at Cost	41,814	0	0
Prepaid Items	107,208	3,769	0
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Total Assets	<u>\$ 4,686,218</u>	<u>\$ 1,726,341</u>	<u>\$ 1,549,391</u>
Liabilities:			
Accounts Payable	\$ 31,285	\$ 7,622	\$ 0
Accrued Wages and Benefits Payable	144,935	13,718	0
Total Liabilities	<u>176,220</u>	<u>21,340</u>	<u>0</u>
Deferred Inflows of Resources:			
Unavailable Amounts	158,784	32,319	0
Property Tax Levy for Next Fiscal Year	597,733	790,591	0
Total Deferred Inflows of Resources	<u>756,517</u>	<u>822,910</u>	<u>0</u>
Fund Balances:			
Nonspendable	149,022	3,769	0
Restricted	0	878,322	0
Committed	0	0	1,549,391
Assigned	657,639	0	0
Unassigned	2,946,820	0	0
Total Fund Balances	<u>3,753,481</u>	<u>882,091</u>	<u>1,549,391</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,686,218</u>	<u>\$ 1,726,341</u>	<u>\$ 1,549,391</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 1,104,062	\$ 2,293,541
0	4,461,146
195,268	2,260,224
0	6,812
253,152	339,918
59,531	101,345
14,460	125,437
<u>97,674</u>	<u>97,674</u>
<u>\$ 1,724,147</u>	<u>\$ 9,686,097</u>
\$ 4,851	\$ 43,758
<u>33,590</u>	<u>192,243</u>
<u>38,441</u>	<u>236,001</u>
270,058	461,161
<u>156,928</u>	<u>1,545,252</u>
<u>426,986</u>	<u>2,006,413</u>
73,991	226,782
1,033,792	1,912,114
161,167	1,710,558
0	657,639
<u>(10,230)</u>	<u>2,936,590</u>
<u>1,258,720</u>	<u>7,443,683</u>
<u>\$ 1,724,147</u>	<u>\$ 9,686,097</u>

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2016***

Total Governmental Fund Balances	\$ 7,443,683
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	35,433,767
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	461,161
Long-term liabilities, including bonds payable and interest, are not due and payable in the current period and therefore are not reported in the funds.	(4,010,636)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.	(7,801,207)
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. This is the balance that is recorded in the governmental activities.	<u>(51,788)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 31,474,980</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, 2016**

	General	Fire Levy	Capital Improvement
Revenues:			
Taxes	\$ 6,651,862	\$ 743,837	\$ 0
Intergovernmental Revenues	344,870	55,209	216,800
Charges for Services	452,305	0	0
Licenses and Permits	66,272	0	0
Investment Earnings	136,843	1,388	0
Fines and Forfeitures	12,059	0	0
All Other Revenue	80,045	13,786	4,992
Total Revenues	<u>7,744,256</u>	<u>814,220</u>	<u>221,792</u>
Expenditures:			
Current:			
Security of Persons and Property	4,198,119	555,046	49,995
Public Health and Welfare Services	57,369	0	0
Leisure Time Activities	532,563	0	48,853
Community Environment	223,270	0	59,432
Transportation	0	0	601,456
General Government	1,356,752	0	11,731
Debt Service:			
Principal Retirement	0	81,800	0
Interest and Fiscal Charges	0	13,731	0
Total Expenditures	<u>6,368,073</u>	<u>650,577</u>	<u>771,467</u>
Excess (Deficiency) of Revenues Over Expenditures	1,376,183	163,643	(549,675)
Other Financing Sources (Uses):			
Capital Lease Initiated	0	0	0
Installment Loan Initiated	0	440,000	300,000
Transfers In	0	1,513	0
Transfers Out	(791,368)	0	0
Total Other Financing Sources (Uses)	<u>(791,368)</u>	<u>441,513</u>	<u>300,000</u>
Net Change in Fund Balances	584,815	605,156	(249,675)
Fund Balances at Beginning of Year	3,167,624	276,935	1,799,066
Change in Inventory Reserve	1,042	0	0
Fund Balances End of Year	<u>\$ 3,753,481</u>	<u>\$ 882,091</u>	<u>\$ 1,549,391</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 492,792	\$ 7,888,491
648,661	1,265,540
512,026	964,331
0	66,272
1,930	140,161
51,490	63,549
27,251	126,074
<u>1,734,150</u>	<u>10,514,418</u>
531,004	5,334,164
0	57,369
444,031	1,025,447
0	282,702
838,215	1,439,671
0	1,368,483
400,867	482,667
66,940	80,671
<u>2,281,057</u>	<u>10,071,174</u>
(546,907)	443,244
117,027	117,027
0	740,000
789,855	791,368
0	(791,368)
<u>906,882</u>	<u>857,027</u>
359,975	1,300,271
915,253	6,158,878
(16,508)	(15,466)
<u>\$ 1,258,720</u>	<u>\$ 7,443,683</u>

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2016***

Net Change in Fund Balances - Total Governmental Funds	\$ 1,300,271
<i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation.	128,300
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.	(9,113)
Revenues and transfers in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	49,735
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	757,666
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(1,246,539)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term consumes current financial resources of governmental funds, however neither has any effect on net position.	(374,360)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(456)
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.	(248,770)
The Internal Service Fund is used to charge the cost of services (e.g. insurance) to individual funds and is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities.	<u>(22,134)</u>
<i>Change in Net Position of Governmental Activities</i>	<u>\$ 334,600</u>

See accompanying notes to the basic financial statements



CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,536,050	\$ 5,536,050	\$ 6,708,034	\$ 1,171,984
Intergovernmental Revenue	334,837	334,837	357,310	22,473
Charges for Services	438,789	438,789	452,305	13,516
Licenses and Permits	12,775	12,775	66,272	53,497
Investment Earnings	65,000	65,000	126,505	61,505
Fines and Forfeitures	12,500	12,500	12,271	(229)
All Other Revenues	38,400	38,400	80,045	41,645
Total Revenues	<u>6,438,351</u>	<u>6,438,351</u>	<u>7,802,742</u>	<u>1,364,391</u>
Expenditures:				
Current:				
Security of Persons and Property	4,350,752	4,584,508	4,299,614	284,894
Public Health and Welfare Services	55,970	57,370	57,369	1
Leisure Time Activities	662,455	711,005	569,520	141,485
Community Environment	273,651	281,271	237,506	43,765
General Government	1,408,924	1,480,304	1,377,439	102,865
Total Expenditures	<u>6,751,752</u>	<u>7,114,458</u>	<u>6,541,448</u>	<u>573,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(313,401)	(676,107)	1,261,294	1,937,401
Other Financing Sources (Uses):				
Transfers Out	(647,973)	(791,368)	(791,368)	0
Total Other Financing Sources (Uses):	<u>(647,973)</u>	<u>(791,368)</u>	<u>(791,368)</u>	<u>0</u>
Net Change in Fund Balance	(961,374)	(1,467,475)	469,926	1,937,401
Fund Balance at Beginning of Year	2,562,078	2,562,078	2,562,078	0
Prior Year Encumbrances	61,070	61,070	61,070	0
Fund Balance at End of Year	<u>\$ 1,661,774</u>	<u>\$ 1,155,673</u>	<u>\$ 3,093,074</u>	<u>\$ 1,937,401</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2016**

	FIRE LEVY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 741,808	\$ 741,808	\$ 743,837	\$ 2,029
Intergovernmental Revenues	73,883	73,883	55,209	(18,674)
Investment Earnings	0	0	1,388	1,388
All Other Revenues	0	0	46	46
Total Revenues	<u>815,691</u>	<u>815,691</u>	<u>800,480</u>	<u>(15,211)</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	427,553	427,553	418,251	9,302
Materials and Supplies	2,000	2,000	2,000	0
Contractual Services	24,050	26,350	9,118	17,232
Capital Outlay	297,128	337,269	203,180	134,089
Total Security of Persons and Property	<u>750,731</u>	<u>793,172</u>	<u>632,549</u>	<u>160,623</u>
Debt Service:				
Principal Retirement	81,800	81,800	81,800	0
Interest and Fiscal Charges	13,731	13,731	13,731	0
Total Expenditures	<u>846,262</u>	<u>888,703</u>	<u>728,080</u>	<u>160,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,571)	(73,012)	72,400	145,412
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	13,740	13,740
Loan Initiated	0	693,780	440,000	(253,780)
Transfers In	0	0	1,513	1,513
Total Other Financing Sources (Uses)	<u>0</u>	<u>693,780</u>	<u>455,253</u>	<u>(238,527)</u>
Net Change in Fund Balance	(30,571)	620,768	527,653	(93,115)
Fund Balance at Beginning of Year	266,861	266,861	266,861	0
Prior Year Encumbrances	45,256	45,256	45,256	0
Fund Balance at End of Year	<u>\$ 281,546</u>	<u>\$ 932,885</u>	<u>\$ 839,770</u>	<u>\$ (93,115)</u>

CITY OF HEATH, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 128,838	\$ 173,332	\$ 302,170	\$ 37,786
Investments	1,982,390	2,666,997	4,649,387	0
Receivables:				
Accounts	262,664	285,250	547,914	0
Inventory of Supplies at Cost	48,252	8,994	57,246	0
Prepaid Items	16,848	20,079	36,927	0
Total current assets	<u>2,438,992</u>	<u>3,154,652</u>	<u>5,593,644</u>	<u>37,786</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	930,317	91,947	1,022,264	0
Depreciable Capital Assets, Net	11,483,867	10,187,299	21,671,166	0
Total noncurrent assets	<u>12,414,184</u>	<u>10,279,246</u>	<u>22,693,430</u>	<u>0</u>
Total Assets	<u>14,853,176</u>	<u>13,433,898</u>	<u>28,287,074</u>	<u>37,786</u>
Deferred Outflows of Resources:				
Pension	<u>229,150</u>	<u>224,510</u>	<u>453,660</u>	<u>0</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	10,409	39,787	50,196	0
Accrued Wages and Benefits Payable	21,247	20,041	41,288	0
Claims Payable	0	0	0	107,204
Accrued Interest Payable	11,118	0	11,118	0
Capital Leases Payable - Current	89,361	0	89,361	0
General Obligation Bonds Payable - Current	435,000	0	435,000	0
OWDA Loans Payable - Current	0	330,647	330,647	0
OPWC Loans Payable - Current	14,684	3,476	18,160	0
Compensated Absences Payable - Current	10,300	5,186	15,486	0
Total current liabilities	<u>592,119</u>	<u>399,137</u>	<u>991,256</u>	<u>107,204</u>

CITY OF HEATH, OHIO

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
Noncurrent liabilities:				
Capital Leases Payable	283,814	0	283,814	0
General Obligation Bonds Payable	1,300,000	0	1,300,000	0
OWDA Loans Payable	630,564	4,402,225	5,032,789	0
OPWC Loans Payable	234,953	72,973	307,926	0
Compensated Absences Payable	31,116	46,545	77,661	0
Net Pension Liability	597,111	585,020	1,182,131	0
Total noncurrent liabilities	<u>3,077,558</u>	<u>5,106,763</u>	<u>8,184,321</u>	<u>0</u>
Total Liabilities	<u>3,669,677</u>	<u>5,505,900</u>	<u>9,175,577</u>	<u>107,204</u>
Deferred Inflows of Resources:				
Pension	<u>11,537</u>	<u>11,303</u>	<u>22,840</u>	<u>0</u>
NET POSITION:				
Net Investment in Capital Assets	9,425,808	5,469,925	14,895,733	0
Unrestricted	<u>1,975,304</u>	<u>2,671,280</u>	<u>4,646,584</u>	<u>(69,418)</u>
Total net position	<u>\$ 11,401,112</u>	<u>\$ 8,141,205</u>	<u>19,542,317</u>	<u>\$ (69,418)</u>
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	<u>(17,630)</u>
			Net Position of Business-type Activities	<u>\$ 19,524,687</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
Operating Revenues:				
Charges for Services	\$ 2,285,443	\$ 2,092,565	\$ 4,378,008	\$ 1,082,769
Other Operating Revenue	6,691	56,338	63,029	391,215
Total Operating Revenues	<u>2,292,134</u>	<u>2,148,903</u>	<u>4,441,037</u>	<u>1,473,984</u>
Operating Expenses:				
Personal Services	741,084	709,351	1,450,435	0
Contractual Services	470,540	658,854	1,129,394	0
Materials and Supplies	187,679	47,315	234,994	0
Health Claims Expense	0	0	0	1,501,833
Depreciation	511,378	434,552	945,930	0
Total Operating Expenses	<u>1,910,681</u>	<u>1,850,072</u>	<u>3,760,753</u>	<u>1,501,833</u>
Operating Income (Loss)	381,453	298,831	680,284	(27,849)
Non-operating Revenue (Expenses):				
Investment Earnings	0	10,273	10,273	0
Interest and Fiscal Charges	(72,396)	(138,451)	(210,847)	0
Total Non-operating Revenues (Expenses)	<u>(72,396)</u>	<u>(128,178)</u>	<u>(200,574)</u>	<u>0</u>
Change in Net Position	309,057	170,653	479,710	(27,849)
Net Position Beginning of Year	11,092,055	7,970,552	19,062,607	(41,569)
Net Position End of Year	<u>\$ 11,401,112</u>	<u>\$ 8,141,205</u>	<u>19,542,317</u>	<u>\$ (69,418)</u>
			Change in Net Position - Total Enterprise Funds	479,710
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(5,715)
			Change in Net Position - Business-type Activities	<u>\$ 473,995</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, 2016**

	Business-Type Activities Enterprise Funds			Governmental- Activities Internal Service Fund
	Water	Sewer	Total	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$2,335,224	\$2,131,079	\$4,466,303	\$1,082,769
Cash Payments for Goods and Services	(662,644)	(733,081)	(1,395,725)	(1,479,411)
Cash Payments to Employees	(720,165)	(690,990)	(1,411,155)	0
Other Operating Cash Receipts	6,691	56,338	63,029	391,215
Net Cash Provided (Used) by Operating Activities	959,106	763,346	1,722,452	(5,427)
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(425,000)	0	(425,000)	0
Ohio Water Development Authority Loan Initiated	630,564	0	630,564	0
Principal Paid on Capital Lease Payable	(86,825)	0	(86,825)	0
Acquisition and Construction of Assets	(902,976)	(458,741)	(1,361,717)	0
Principal Paid on Ohio Water Development Authority Loans	0	(319,398)	(319,398)	0
Principal Paid on Ohio Public Works Commission Loans	(7,342)	(1,738)	(9,080)	0
Interest Paid on All Debt	(74,906)	(138,451)	(213,357)	0
Net Cash Used for Capital and Related Financing Activities	(866,485)	(918,328)	(1,784,813)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	0	183,462	183,462	0
Purchase of Investments	(54,791)	0	(54,791)	0
Receipts of Interest	0	10,273	10,273	0
Net Cash Provided (Used) for Investing Activities	(54,791)	193,735	138,944	0
Net Increase (Decrease) in Cash and Cash Equivalents	37,830	38,753	76,583	(5,427)
Cash and Cash Equivalents at Beginning of Year	91,008	134,579	225,587	43,213
Cash and Cash Equivalents at End of Year	\$128,838	\$173,332	\$302,170	\$37,786

CITY OF HEATH, OHIO

	Business-Type Activities Enterprise Funds			Governmental- Activities Internal Service Fund
	Water	Sewer	Total	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	\$381,453	\$298,831	\$680,284	(\$27,849)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	511,378	434,552	945,930	0
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	49,781	38,514	88,295	0
(Increase) Decrease in Inventory	4,404	(1,320)	3,084	0
Increase in Prepaid Items	(3,483)	(6,609)	(10,092)	0
Increase in Deferred Outflows - Pension	(156,306)	(150,468)	(306,774)	0
Decrease in Accounts Payable	(10,829)	(24,655)	(35,484)	0
Increase in Health Claims Payable	0	0	0	22,422
Decrease in Accrued Wages and Benefits Payable	(199)	(2,478)	(2,677)	0
Increase in Compensated Absences Payable	1,898	5,215	7,113	0
Increase in Deferred Inflows - Pension	4,016	3,658	7,674	0
Increase in Net Pension Liability	176,993	168,106	345,099	0
Total Adjustments	577,653	464,515	1,042,168	22,422
Net Cash Provided (Used) by Operating Activities	\$959,106	\$763,346	\$1,722,452	(\$5,427)

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2016 the Sewer Fund had a liability of \$22,219 for the purchase of capital assets.

See accompanying notes to the basic financial statements

**Statement of Net Position
Fiduciary Fund
December 31, 2016**

	Private Purpose Trust
Assets:	
Cash and Cash Equivalents	\$ 5,866
Total Assets	<u>5,866</u>
Liabilities:	
Total Liabilities	<u>0</u>
Net Position:	
Unrestricted	5,866
Total Net Position	<u>\$ 5,866</u>

See accompanying notes to the basic financial statements

***Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2016***

	Private Purpose Trust
Additions:	
Contributions	\$ 500
Total Additions	<u>500</u>
Deductions:	
Total Deductions	<u>0</u>
Change in Net Position	500
Net Position at Beginning of Year	<u>5,366</u>
Net Position End of Year	<u>\$ 5,866</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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, 2016 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity; Omnibus"* 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, deferred inflows of resources and fund balances, revenues and expenditures (expenses). The following fund types are used by the City:

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities and deferred inflows of resources, 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, 2016***

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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

Property taxes measurable as of December 31, 2016 but which are not intended to finance 2016 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources as further described in Note 6.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

E. Budgetary Process

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

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

1. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. During 2016, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

3. Lapsing of Appropriations

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Budgetary Basis of Accounting

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Fire Levy Fund is shown below:

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	\$584,815	\$605,156
Increase (Decrease):		
Accrued Revenues at December 31, 2016 received during 2017	(580,931)	0
Accrued Revenues at December 31, 2015 received during 2016	639,417	0
Accrued Expenditures at December 31, 2016 paid during 2017	176,220	21,340
Accrued Expenditures at December 31, 2015 paid during 2016	(187,081)	(36,626)
2015 Prepays for 2016	51,368	1,444
2016 Prepays for 2017	(107,208)	(3,769)
Outstanding Encumbrances	(106,674)	(59,892)
Budget Basis	<u>\$469,926</u>	<u>\$527,653</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During fiscal year 2016, cash and cash equivalents included amounts in demand deposits, certificates of deposit and Money Market accounts.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. (See Note 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" and GASB Statement No. 72, "Fair Value Measurement and Application", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

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

2. Property, Plant and Equipment – Business-Type Activities

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

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

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

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

K. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Swimming Pool Fund, Debt Service Fund, Water Fund
Installment Loans Payable	Debt Service Fund
Capital Leases	Street Construction, Maintenance and Repair Fund, Fire Levy Fund, Water Fund
Ohio Water Development Authority Loans	Sewer Fund
Ohio Public Works Commission Loan	Water Fund 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, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

M. Restricted Assets

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

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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, 2016***

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 Medical Benefit Administrators 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 claims payable for incurred but unreported claims at year end based upon an analysis of historical claims and expenses.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Flows of cash or goods from one fund to another with a requirement for repayment are reported as Interfund Loans Receivable/Payable. There were no outstanding interfund loans at December 31, 2016. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

R. Fund Balance

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance (Continued)

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

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

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

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

S. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction and improvement of those assets, increased by unspent debt proceeds which existed at December 31, 2016. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported for pension amounts (See Note 10). The amounts are reported in the government-wide and proprietary statements of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position. See Note 10.

U. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application”, GASB Statement No. 77 “Tax Abatement Disclosures”, and GASB Statement No. 79, “Certain External Investment Pools and Pool Participants”.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$107,208	\$3,769	\$0	\$14,460	\$125,437
Supplies Inventory	41,814	0	0	59,531	101,345
Total Nonspendable	<u>149,022</u>	<u>3,769</u>	<u>0</u>	<u>73,991</u>	<u>226,782</u>
Restricted:					
Transportation Projects	0	0	0	816,723	816,723
Park Maintenance	0	0	0	96,166	96,166
Law Enforcement	0	0	0	120,903	120,903
Fire Department	0	878,322	0	0	878,322
Total Restricted	<u>0</u>	<u>878,322</u>	<u>0</u>	<u>1,033,792</u>	<u>1,912,114</u>
Committed:					
Debt Service	0	0	0	159,655	159,655
Swimming Pool	0	0	0	1,512	1,512
Capital Improvements	0	0	1,549,391	0	1,549,391
Total Committed	<u>0</u>	<u>0</u>	<u>1,549,391</u>	<u>161,167</u>	<u>1,710,558</u>
Assigned:					
Goods and Services	86,992	0	0	0	86,992
Excess Appropriations FY 2017	570,647	0	0	0	570,647
Total Assigned	<u>657,639</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>657,639</u>
Unassigned	<u>2,946,820</u>	<u>0</u>	<u>0</u>	<u>(10,230)</u>	<u>2,936,590</u>
Total Fund Balances	<u>\$3,753,481</u>	<u>\$882,091</u>	<u>\$1,549,391</u>	<u>\$1,258,720</u>	<u>\$7,443,683</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Delinquent Income Tax Revenue	\$107,717
Delinquent Property Tax Revenue	16,235
Shared Revenues	337,209
	<u>\$461,161</u>

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$1,925,000)
Installment Loans Payable	(710,000)
Capital Leases Payable	(470,905)
Accrued Interest on Long-Term Debt	(12,699)
Compensated Absences Payable	(892,032)
	<u>(\$4,010,636)</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

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

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

Capital Outlay	\$1,134,007
Depreciation Expense	(1,005,707)
	<u>\$128,300</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$3,465
Decrease in Delinquent Property Tax	(2,172)
Increase in Shared Revenue	48,442
	<u>\$49,735</u>

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

General Obligation Bond Principal	\$360,000
Installment Loans Initiated	(740,000)
Installment Loan Payment	30,000
Capital Lease Initiated	(117,027)
Capital Lease Payments	92,667
	<u>(\$374,360)</u>

Expenses not requiring the use of current financial resources:

Increase in Compensated Absences Payable	(\$233,304)
Decrease in supplies inventory	(15,466)
	<u>(\$248,770)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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

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

A. Deposits

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

At year end the carrying amount of the City’s deposits was \$2,639,363 and the bank balance was \$2,812,034. Federal depository insurance covered \$500,000 of the bank balance. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$2,312,034</u>
Total Balance	<u><u>\$2,312,034</u></u>

B. Investments

The City’s investments at December 31, 2016 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)		
				less than 1	1-3	3-5
FNMA	\$1,179,310	AA+	Level 2	\$49,943	\$269,312	\$860,055
FHLB	266,033	AA+	Level 2	134,933	131,100	0
FHLMC	2,404,624	AA+	Level 2	270,075	896,194	1,238,355
FFCB	547,866	AA+	Level 2	0	547,866	0
Negotiable C/D's	4,712,700	AAA ¹	Level 2	829,153	3,308,488	575,059
Total Investments	<u>\$9,110,533</u>			<u>\$1,284,104</u>	<u>\$5,152,960</u>	<u>\$2,673,469</u>

*- Credit rating from Standard & Poor’s

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

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 12.9% are FNMA, 2.9% are FHLB, 26.4% are FHLMC, 6.0% are FFCB and 51.7% are Negotiable Certificates of Deposit.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$97,674 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per GASB Statement No. 9	<u>\$2,639,363</u>	<u>\$9,110,533</u>
Per GASB Statement No. 3	<u>\$2,639,363</u>	<u>\$9,110,533</u>

* Does not include cash with fiscal agent.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed in 2016. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as the real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Heath. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2016 was \$6.40 per \$1,000 of assessed value. The assessed value upon which the 2016 levy was based was \$266,502,766. This amount constitutes \$254,786,316 in real property assessed value and \$11,716,450 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .640% (6.40 mills) of assessed value.

Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the General Fund, Fire Levy Fund, Fire Pension Fund and Police Pension Fund, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is recorded as a deferred inflow of resources.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 6 - TAXES (Continued)

B. Income Tax

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

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, 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 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$0	\$791,368
Fire Levy Fund	1,513	0
Other Governmental Funds	789,855	0
Totals	<u>\$791,368</u>	<u>\$791,368</u>

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Non-Depreciable Capital Assets:				
Land	\$10,075,521	\$0	\$0	\$10,075,521
Construction in Progress	4,500	0	0	4,500
Subtotal	10,080,021	0	0	10,080,021
Depreciable Capital Assets:				
Buildings	6,515,070	0	0	6,515,070
Improvements other than Buildings	3,992,953	0	0	3,992,953
Machinery and Equipment	6,925,129	282,686	(396,058)	6,811,757
Infrastructure	28,710,642	851,321	(97,311)	29,464,652
Subtotal	46,143,794	1,134,007	(493,369)	46,784,432
Total Cost	\$56,223,815	\$1,134,007	(\$493,369)	\$56,864,453

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings	(\$3,280,930)	(\$129,426)	\$0	(\$3,410,356)
Improvements other than Buildings	(2,444,194)	(187,624)	0	(2,631,818)
Machinery and Equipment	(4,607,493)	(260,114)	395,791	(4,471,816)
Infrastructure	(10,576,618)	(428,543)	88,465	(10,916,696)
Total Depreciation	(\$20,909,235)	(\$1,005,707) *	\$484,256	(\$21,430,686)
Net Value:	\$35,314,580			\$35,433,767

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$237,576
Leisure Time Activities	267,126
Community Environment	11,647
Transportation	477,105
General Government	12,253
Total Depreciation Expense	\$1,005,707

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Non-Depreciable Capital Assets:				
Land	\$397,374	\$0	\$0	\$397,374
Construction in Progress	493,479	624,890	(493,479)	624,890
Subtotal	890,853	624,890	(493,479)	1,022,264
Depreciable Capital Assets:				
Buildings	17,018,225	0	0	17,018,225
Improvements Other Than Buildings	3,922,977	0	0	3,922,977
Machinery and Equipment	5,845,205	627,849	0	6,473,054
Infrastructure	17,326,946	624,676	0	17,951,622
Subtotal	44,113,353	1,252,525	0	45,365,878
Total Cost	\$45,004,206	\$1,877,415	(\$493,479)	\$46,388,142

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings	(\$7,160,213)	(\$349,541)	\$0	(\$7,509,754)
Improvements Other Than Buildings	(1,473,336)	(110,664)	0	(1,584,000)
Machinery and Equipment	(4,714,846)	(147,764)	0	(4,862,610)
Infrastructure	(9,400,387)	(337,961)	0	(9,738,348)
Total Depreciation	(\$22,748,782)	(\$945,930)	\$0	(\$23,694,712)
Net Value:	\$22,255,424			\$22,693,430

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued wages and benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$324,493 for 2016.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$539,361 for 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,612,394	\$8,090,029	\$11,702,423
Proportion of the Net Pension Liability -2016	0.020855%	0.125757%	
Proportion of the Net Pension Liability -2015	<u>0.022110%</u>	<u>0.126978%</u>	
Percentage Change	<u>(0.001255%)</u>	<u>(0.001221%)</u>	
Pension Expense	\$360,577	\$1,038,149	\$1,398,726

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,061,817	\$1,316,747	\$2,378,564
City contributions subsequent to the measurement date	<u>324,493</u>	<u>539,361</u>	<u>863,854</u>
Total Deferred Outflows of Resources	<u>\$1,386,310</u>	<u>\$1,856,108</u>	<u>\$3,242,418</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$69,797</u>	<u>\$22,716</u>	<u>\$92,513</u>

\$863,854 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2017	\$232,230	\$342,358	\$574,588
2018	249,208	342,358	591,566
2019	270,292	342,358	612,650
2020	240,290	272,164	512,454
2021	0	(4,377)	(4,377)
2022	<u>0</u>	<u>(830)</u>	<u>(830)</u>
Total	<u>\$992,020</u>	<u>\$1,294,031</u>	<u>\$2,286,051</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 retirees	3 percent, simple
Post-January 7, 2013 retirees	3 percent, simple through 2018, then 2.80 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City’s proportionate share of the net pension liability	\$5,755,426	\$3,612,394	\$1,804,814

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City’s net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	120.00 %		

* levered 2x

**numbers are net of expected inflation

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City’s proportionate share of the net pension liability	\$10,669,664	\$8,090,029	\$5,904,823

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

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

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were \$54,082, \$51,957, and \$54,513, respectively, which were equal to the required contributions for each year.

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

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

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

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

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2016, 2015, and 2014 were \$6,668, \$6,494, and \$6,384 for police and \$6,084, \$6,168 and \$6,150 for firefighters, respectively, which were equal to the required contributions for each year.

NOTE 12 – 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, 2016, the City's accumulated, unpaid compensated absences amounted to \$985,179. Of this amount, \$892,032 is recorded as Governmental Activities on the Entity Wide Statement of Net Position (\$76,398 is reported as due within one year), \$93,147 is recorded as Business-type activities (\$15,486 is reported as due within one year).

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 13 - CAPITAL LEASES

The City is party to four leases accounted for as capital leases; 1) for a Durapatcher (roadway spray patching machine) 2) for a FlexNet Advanced Metering System (water meters) 3) for a Fire Truck and 4) for a Tractor. The cost of the equipment obtained under the lease agreements (\$642,053) is included in the Governmental Activities capital assets as machinery and equipment and (\$460,000) is included in Business Type Activities as machinery and equipment. The liabilities for these leases are recorded on the Statement of Net Position as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

Year Ending December 31,	Governmental Activities	Business Type Activities
2017	\$120,880	\$100,107
2018	120,880	100,107
2019	120,880	100,107
2020	120,880	100,107
2021	25,349	0
Minimum Lease Payments	<u>508,869</u>	<u>400,428</u>
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(37,964)</u>	<u>(27,253)</u>
Present value of minimum lease payments	<u><u>\$470,905</u></u>	<u><u>\$373,175</u></u>

NOTE 14 - ACCOUNTABILITY

The fund deficits of \$975 in the Fire Pension Fund and \$9,255 in the Police Pension Fund (special revenue funds) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting. The fund deficit of \$69,418 in the Internal Service Fund arose from the recognition of liabilities under the accrual basis of accounting. Transfers are provided when cash is required, not when accruals occur.

CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 15 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2016 were as follows:

	Original Liability		Balance December 31, 2015	Additions	(Reductions)	Balance December 31, 2016	Amounts Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
2.00 - 3.63% Swimming Pool Refunding	\$1,325,000	2022	\$865,000	\$0	(\$115,000)	\$750,000	\$115,000
2.00 - 3.00% S.R. 79 Refunding	1,300,000	2023	1,025,000	0	(115,000)	910,000	120,000
1.20 - 3.50% Fire Station Refunding	1,195,000	2018	395,000	0	(130,000)	265,000	130,000
Total General Obligation Bonds			2,285,000	0	(360,000)	1,925,000	365,000
Installment Loans Payable:							
2.67% Fire Equipment	440,000	2021	0	440,000	0	440,000	87,390
0.00% Port Authority	300,000	2025	0	300,000	(30,000)	270,000	30,000
Total Installment Loans Payable			0	740,000	(30,000)	710,000	117,390
Net Pension Liability:							
Ohio Public Employees Retirement System			1,829,681	600,582	0	2,430,263	0
Ohio Police and Fire Pension System			6,577,995	1,512,034	0	8,090,029	0
Total General Net Pension Liability			8,407,676	2,112,616	0	10,520,292	0
Capital Leases	642,053		446,545	117,027	(92,667)	470,905	106,574
Compensated Absences			658,728	430,922	(197,618)	892,032	76,398
Total Governmental Long-Term Debt			\$11,797,949	\$3,400,565	(\$680,285)	\$14,518,229	\$665,362
Business Type Activities:							
General Obligation Bond:							
1.20 - 3.50% Water Refunding	\$2,100,000	2018	\$685,000	\$0	(\$220,000)	\$465,000	\$230,000
2.00 - 2.50% Franklin Ave. Waterline	555,000	2022	400,000	0	(55,000)	345,000	55,000
1.25 - 3.00% Water Plant Improvement	1,495,000	2022	1,075,000	0	(150,000)	925,000	150,000
Total General Obligation Bonds			2,160,000	0	(425,000)	1,735,000	435,000
Ohio Water Development Authority Loans:							
3.76% Loan SRF-4011	2,757,604	2024	1,586,498	0	(151,175)	1,435,323	156,912
3.25% Loan SRF-5657	4,110,016	2032	3,465,772	0	(168,223)	3,297,549	173,735
2.22% Linville Road Water Tower	630,564	2038	0	630,564	0	630,564	0
Total OWDA Loans			5,052,270	630,564	(319,398)	5,363,436	330,647
Ohio Public Works Commission Loans:							
0.00% Sewer Replacement & Expansion	104,256	2038	78,187	0	(1,738)	76,449	3,476
0.00% Water Main & Booster Station	293,690	2033	256,979	0	(7,342)	249,637	14,684
Total OPWC Loans			335,166	0	(9,080)	326,086	18,160
Net Pension Liability:							
Ohio Public Employees Retirement System			837,032	345,099	0	1,182,131	0
Capital Leases	460,000		460,000	0	(86,825)	373,175	89,361
Compensated Absences			86,034	32,923	(25,810)	93,147	15,486
Total Business Type Long-Term Debt			\$8,930,502	\$1,008,586	(\$866,113)	\$9,072,975	\$888,654

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 15 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term debt outstanding at December 31, 2016 were as follows:

Years	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Installment Loans Payable		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$365,000	\$57,056	\$117,390	\$7,727	\$18,160	\$0
2018	375,000	47,269	114,703	10,414	18,160	0
2019	250,000	36,594	116,964	8,153	18,160	0
2020	255,000	30,031	119,273	5,844	18,160	0
2021	265,000	22,056	121,670	3,447	18,160	0
2022-2023	415,000	17,494	120,000	0	90,800	0
Totals	<u>\$1,925,000</u>	<u>\$210,500</u>	<u>\$710,000</u>	<u>\$35,585</u>	<u>\$326,086</u>	<u>\$0</u>

A. Defeased Debt

In September 2009, the City refunded \$1,150,000 of General Obligation Bonds for Fire Station Improvements, through the issuance of \$1,195,000 of General Obligation Bonds. The net proceeds of the 2009 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$275,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 15 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Defeased Debt (Continued)

In September 2009, the City refunded \$2,025,000 of General Obligation Bonds for Water Improvements, through the issuance of \$2,100,000 of General Obligation Bonds. The net proceeds of the 2009 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$485,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In April 2011, the City refunded \$1,200,000 of General Obligation Bonds for Swimming Pool Improvements, through the issuance of \$1,325,000 of General Obligation Bonds. The net proceeds of the 2011 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$725,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In April 2012, the City refunded \$1,295,000 of General Obligation Bonds for State Route 79 Improvements, through the issuance of \$1,300,000 of General Obligation Bonds. The net proceeds of the 2012 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$890,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

B. OWDA Loans

The City has various outstanding Ohio Water Development Authority Loans ranging from 2.2% - 5% for various wastewater treatment plant improvements. The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the loans outstanding. The loans are payable solely from sewer customer net revenues and are payable through 2024, 2032 and 2038 for the three separate loans outstanding.

C. OPWC Loans

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$397,946 borrowed from the Ohio Public Works Commission in 2008 and 2013. Proceeds from these loans provided for the improvement of sewer lines at the Heath-Newark-Licking County Port Authority and for Water Main & Booster Station Improvements. These loans were issued interest free.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 16 - RISK MANAGEMENT

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

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

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, Medical Benefits Administrators, Inc., which monitors all claim payments. Excess loss coverage, provided by the American National/Bardon Insurance, becomes effective after \$45,000 per year per specific claim.

The claims liability of \$107,204 reported in the fund at December 31, 2016 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. The liability was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in years 2015 and 2016 were:

Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Year End
2015	\$197,564	\$1,122,207	(\$1,234,989)	\$84,782
2016	84,782	1,501,833	(1,479,411)	107,204

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 17 - CONTINGENCIES

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

NOTE 18 – OTHER COMMITMENTS

At December 31, 2016, the City's cash basis commitments for encumbrances were as follows:

Project	Year-End Commitment
General Fund	\$106,674
Fire Levy Fund	59,892
Other Governmental Funds	161,570
Water Fund	961,064
Sewer Fund	146,708
Total	<u>\$1,435,908</u>

NOTE 19 – TAX ABATEMENT DISCLOSURES

As of December 31, 2016, the City of Heath provides tax incentives under the Community Reinvestment Area (CRA) program.

Real Estate Tax Abatements

Pursuant to Ohio Revised Code Chapter 3735.66, the City established a Community Reinvestment Area prior to 2007. Various portions of the community are covered by this CRA. The City authorizes incentives based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the CRAs gave the City the ability to maintain and expand businesses located in the City and create new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate.

Below is the City portion of the real property taxes abated in 2016:

Community Reinvestment Area (CRA)	Total Amount of Taxes Abated (Incentives Abated) For the Year 2016 (In Actual Dollars)
<u>All CRA Properties</u>	<u>\$48,824</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HEATH, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Three Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.022110%	0.022110%	0.020855%
City's proportionate share of the net pension liability (asset)	\$2,606,481	\$2,666,713	\$3,612,394
City's covered-employee payroll	\$2,688,115	\$2,751,733	\$2,595,642
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	96.96%	96.91%	139.17%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.126978%	0.126978%	0.125757%
City's proportionate share of the net pension liability (asset)	\$6,184,232	\$6,577,995	\$8,090,029
City's covered-employee payroll	\$3,249,567	\$2,549,882	\$2,532,277
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	190.31%	257.97%	319.48%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF HEATH, OHIO

***Schedule of City Contributions
Last Four Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$349,455	\$330,208	\$311,477	\$324,493
Contributions in relation to the contractually required contribution	<u>349,455</u>	<u>330,208</u>	<u>311,477</u>	<u>324,493</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$2,688,115	\$2,751,733	\$2,595,642	\$2,704,108
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$555,026	\$519,156	\$536,641	\$539,361
Contributions in relation to the contractually required contribution	<u>555,026</u>	<u>519,156</u>	<u>536,641</u>	<u>539,361</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$3,249,567	\$2,549,882	\$2,532,277	\$2,550,539
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	21.19%	21.15%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.



*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. (The Statement of Revenues, Expenditures and Changes in Fund Balances is not presented because there was no activity during the year. The Fund was not budgeted by the City for 2016.)

Swimming Pool Fund

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

Municipal Motor Vehicle License Tax Fund

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

Fire Pension Fund

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

Police Pension Fund

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

Law Enforcement Trust Fund

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

Police Professional Training Fund

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

(Continued)

Special Revenue Funds

Enforcement and Education Fund

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

D.A.R.E. Fund

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

Conn Memorial Trust Fund

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

Debt Service Fund

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

General Obligation Debt Service Fund

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

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 975,436	\$ 128,626	\$ 1,104,062
Receivables:			
Taxes	158,584	36,684	195,268
Intergovernmental	253,152	0	253,152
Inventory of Supplies, at Cost	59,531	0	59,531
Prepaid Items	14,460	0	14,460
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	97,674	0	97,674
Total Assets	\$ 1,558,837	\$ 165,310	\$ 1,724,147
Liabilities:			
Accounts Payable	\$ 4,851	\$ 0	\$ 4,851
Accrued Wages and Benefits Payable	33,590	0	33,590
Total Liabilities	38,441	0	38,441
Deferred Inflows and Resources:			
Unavailable Amounts	264,403	5,655	270,058
Property Tax Levy for Next Year	156,928	0	156,928
Total Deferred Inflows of Resources	421,331	5,655	426,986
Fund Balances:			
Nonspendable	73,991	0	73,991
Restricted	1,033,792	0	1,033,792
Committed	1,512	159,655	161,167
Unassigned	(10,230)	0	(10,230)
Total Fund Balances	1,099,065	159,655	1,258,720
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,558,837	\$ 165,310	\$ 1,724,147

CITY OF HEATH, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2016***

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 147,576	\$ 345,216	\$ 492,792
Intergovernmental Revenues	648,661	0	648,661
Charges for Services	512,026	0	512,026
Investment Earnings	1,930	0	1,930
Fines and Forfeitures	51,490	0	51,490
All Other Revenue	27,251	0	27,251
Total Revenue	<u>1,388,934</u>	<u>345,216</u>	<u>1,734,150</u>
Expenditures:			
Current:			
Security of Persons and Property	531,004	0	531,004
Leisure Time Activities	444,031	0	444,031
Transportation	838,215	0	838,215
Debt Service:			
Principal Retirement	125,867	275,000	400,867
Interest and Fiscal Charges	28,190	38,750	66,940
Total Expenditures	<u>1,967,307</u>	<u>313,750</u>	<u>2,281,057</u>
Excess (Deficiency) of Revenues Over Expenditures	(578,373)	31,466	(546,907)
Other Financing Sources (Uses):			
Capital Lease Initiated	117,027	0	117,027
Transfers In	789,855	0	789,855
Total Other Financing Sources (Uses)	<u>906,882</u>	<u>0</u>	<u>906,882</u>
Net Change in Fund Balance	328,509	31,466	359,975
Fund Balances at Beginning of Year	787,064	128,189	915,253
Change in Inventory Reserve	(16,508)	0	(16,508)
Fund Balances End of Year	<u>\$ 1,099,065</u>	<u>\$ 159,655</u>	<u>\$ 1,258,720</u>

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2016**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Assets:				
Cash and Cash Equivalents	\$ 374,253	\$ 215,827	\$ 0	\$ 2,251
Receivables:				
Taxes	0	0	0	0
Intergovernmental	156,637	14,013	0	0
Inventory of Supplies, at Cost	57,968	0	0	1,563
Prepaid Items	10,376	0	0	4,084
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	97,674	0
Total Assets	\$ 599,234	\$ 229,840	\$ 97,674	\$ 7,898
Liabilities:				
Accounts Payable	\$ 3,312	\$ 0	\$ 0	\$ 739
Accrued Wages and Benefits Payable	12,996	0	0	0
Total Liabilities	16,308	0	0	739
Deferred Inflows of Resources:				
Unavailable Amounts	98,936	8,891	97,674	0
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	98,936	8,891	97,674	0
Fund Balances:				
Nonspendable	68,344	0	0	5,647
Restricted	415,646	220,949	0	0
Committed	0	0	0	1,512
Unassigned	0	0	0	0
Total Fund Balances	483,990	220,949	0	7,159
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$ 599,234	\$ 229,840	\$ 97,674	\$ 7,898

CITY OF HEATH, OHIO

Municipal Motor Vehicle License Tax	Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education
\$ 155,022	\$ 7,030	\$ 3,334	\$ 108,154	\$ 2,361	\$ 10,673
0	79,292	79,292	0	0	0
75,316	3,518	3,518	0	0	150
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 230,338</u>	<u>\$ 89,840</u>	<u>\$ 86,144</u>	<u>\$ 108,154</u>	<u>\$ 2,361</u>	<u>\$ 10,823</u>
\$ 0	\$ 0	\$ 0	\$ 800	\$ 0	\$ 0
0	8,005	12,589	0	0	0
0	8,005	12,589	800	0	0
50,210	4,346	4,346	0	0	0
0	78,464	78,464	0	0	0
50,210	82,810	82,810	0	0	0
0	0	0	0	0	0
180,128	0	0	107,354	2,361	10,823
0	0	0	0	0	0
0	(975)	(9,255)	0	0	0
180,128	(975)	(9,255)	107,354	2,361	10,823
<u>\$ 230,338</u>	<u>\$ 89,840</u>	<u>\$ 86,144</u>	<u>\$ 108,154</u>	<u>\$ 2,361</u>	<u>\$ 10,823</u>

(Continued)

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2016**

	D.A.R.E.	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
Assets:			
Cash and Cash Equivalents	\$ 365	\$ 96,166	\$ 975,436
Receivables:			
Taxes	0	0	158,584
Intergovernmental	0	0	253,152
Inventory of Supplies, at Cost	0	0	59,531
Prepaid Items	0	0	14,460
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	0	97,674
Total Assets	<u>\$ 365</u>	<u>\$ 96,166</u>	<u>\$ 1,558,837</u>
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 4,851
Accrued Wages and Benefits Payable	0	0	33,590
Total Liabilities	<u>0</u>	<u>0</u>	<u>38,441</u>
Deferred Inflows of Resources:			
Unavailable Amounts	0	0	264,403
Property Tax Levy for Next Fiscal Year	0	0	156,928
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>421,331</u>
Fund Balances:			
Nonspendable	0	0	73,991
Restricted	365	96,166	1,033,792
Committed	0	0	1,512
Unassigned	0	0	(10,230)
Total Fund Balances	<u>365</u>	<u>96,166</u>	<u>1,099,065</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$ 365</u>	<u>\$ 96,166</u>	<u>\$ 1,558,837</u>



CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	Street Construction, Maintenance and Repair	State Highway	Swimming Pool	Municipal Motor Vehicle License Tax
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	443,382	35,951	0	155,258
Charges for Services	0	0	493,318	0
Investment Earnings	0	242	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	4,293	0	5,711	0
Total Revenue	<u>447,675</u>	<u>36,193</u>	<u>499,029</u>	<u>155,258</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	444,031	0
Transportation	827,103	11,112	0	0
Debt Service:				
Principal Retirement	10,867	0	115,000	0
Interest and Fiscal Charges	809	0	27,381	0
Total Expenditures	<u>838,779</u>	<u>11,112</u>	<u>586,412</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(391,104)	25,081	(87,383)	155,258
Other Financing Sources (Uses):				
Capital Lease Initiated	117,027	0	0	0
Transfers In	406,479	0	88,300	0
Total Other Financing Sources (Uses)	<u>523,506</u>	<u>0</u>	<u>88,300</u>	<u>0</u>
Net Change in Fund Balance	132,402	25,081	917	155,258
Fund Balances at Beginning of Year	368,022	195,868	6,316	24,870
Change in Inventory Reserve	(16,434)	0	(74)	0
Fund Balances End of Year	<u>\$ 483,990</u>	<u>\$ 220,949</u>	<u>\$ 7,159</u>	<u>\$ 180,128</u>

CITY OF HEATH, OHIO

Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education	D.A.R.E.
\$ 73,788	\$ 73,788	\$ 0	\$ 0	\$ 0	\$ 0
7,035	7,035	0	0	0	0
0	0	15,928	0	0	0
0	0	0	0	0	0
0	0	50,214	0	1,276	0
0	0	15,487	1,760	0	0
<u>80,823</u>	<u>80,823</u>	<u>81,629</u>	<u>1,760</u>	<u>1,276</u>	<u>0</u>
231,569	262,137	37,298	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>231,569</u>	<u>262,137</u>	<u>37,298</u>	<u>0</u>	<u>0</u>	<u>0</u>
(150,746)	(181,314)	44,331	1,760	1,276	0
0	0	0	0	0	0
<u>137,962</u>	<u>157,114</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>137,962</u>	<u>157,114</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(12,784)	(24,200)	44,331	1,760	1,276	0
11,809	14,945	63,023	601	9,547	365
0	0	0	0	0	0
<u>\$ (975)</u>	<u>\$ (9,255)</u>	<u>\$ 107,354</u>	<u>\$ 2,361</u>	<u>\$ 10,823</u>	<u>\$ 365</u>

(Continued)

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
Revenues:		
Taxes	\$ 0	\$ 147,576
Intergovernmental Revenues	0	648,661
Charges for Services	2,780	512,026
Investment Earnings	1,688	1,930
Fines and Forfeitures	0	51,490
All Other Revenue	0	27,251
Total Revenue	<u>4,468</u>	<u>1,388,934</u>
Expenditures:		
Current:		
Security of Persons and Property	0	531,004
Leisure Time Activities	0	444,031
Transportation	0	838,215
Debt Service:		
Principal Retirement	0	125,867
Interest and Fiscal Charges	0	28,190
Total Expenditures	<u>0</u>	<u>1,967,307</u>
Excess (Deficiency) of Revenues Over Expenditures	4,468	(578,373)
Other Financing Sources (Uses):		
Capital Lease Initiated	0	117,027
Transfers In	0	789,855
Total Other Financing Sources (Uses)	<u>0</u>	<u>906,882</u>
Net Change in Fund Balance	4,468	328,509
Fund Balances at Beginning of Year	91,698	787,064
Change in Inventory Reserve	0	(16,508)
Fund Balances End of Year	<u>\$ 96,166</u>	<u>\$ 1,099,065</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,536,050	\$ 5,536,050	\$ 6,708,034	\$ 1,171,984
Intergovernmental Revenues	334,837	334,837	357,310	22,473
Charges for Services	438,789	438,789	452,305	13,516
Licenses and Permits	12,775	12,775	66,272	53,497
Investment Earnings	65,000	65,000	126,505	61,505
Fines and Forfeitures	12,500	12,500	12,271	(229)
All Other Revenues	38,400	38,400	80,045	41,645
Total Revenues	<u>6,438,351</u>	<u>6,438,351</u>	<u>7,802,742</u>	<u>1,364,391</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,701,224	1,810,004	1,753,468	56,536
Materials and Supplies	90,576	90,576	58,808	31,768
Contractual Services	171,033	171,033	146,077	24,956
Total Police	<u>1,962,833</u>	<u>2,071,613</u>	<u>1,958,353</u>	<u>113,260</u>
Communications:				
Personal Services	587,586	606,556	572,934	33,622
Materials and Supplies	6,000	6,000	1,242	4,758
Contractual Services	45,737	45,737	37,034	8,703
Total Communications	<u>639,323</u>	<u>658,293</u>	<u>611,210</u>	<u>47,083</u>
Fire:				
Personal Services	1,349,296	1,442,656	1,374,930	67,726
Materials and Supplies	99,658	106,908	89,663	17,245
Contractual Services	193,341	198,737	172,618	26,119
Capital Outlay	1,300	1,300	831	469
Total Fire	<u>1,643,595</u>	<u>1,749,601</u>	<u>1,638,042</u>	<u>111,559</u>
Street Lighting:				
Contractual Services	105,000	105,000	92,009	12,991
Total Street Lighting	<u>105,000</u>	<u>105,000</u>	<u>92,009</u>	<u>12,991</u>
Total Security of Persons and Property	<u>4,350,752</u>	<u>4,584,508</u>	<u>4,299,614</u>	<u>284,894</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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	55,970	57,370	57,369	1
Total Public Health and Welfare Services	<u>55,970</u>	<u>57,370</u>	<u>57,369</u>	<u>1</u>
Leisure Time Activities:				
Parks:				
Personal Services	288,863	337,413	309,337	28,076
Materials and Supplies	61,518	61,518	35,011	26,507
Contractual Services	291,574	291,574	213,519	78,055
Other Expenditures	500	500	450	50
Capital Outlay	20,000	20,000	11,203	8,797
Total Leisure Time Activities	<u>662,455</u>	<u>711,005</u>	<u>569,520</u>	<u>141,485</u>
Community Environment:				
Planning and Zoning:				
Personal Services	151,971	157,391	152,637	4,754
Materials and Supplies	5,200	5,200	3,768	1,432
Contractual Services	116,480	118,680	81,101	37,579
Total Community Environment	<u>273,651</u>	<u>281,271</u>	<u>237,506</u>	<u>43,765</u>
General Government:				
Mayor:				
Personal Services	97,040	97,790	97,133	657
Materials and Supplies	1,200	1,200	442	758
Contractual Services	25,609	25,609	22,066	3,543
Total Mayor	<u>123,849</u>	<u>124,599</u>	<u>119,641</u>	<u>4,958</u>
City Council:				
Personal Services	42,600	42,600	42,600	0
Materials and Supplies	200	200	0	200
Contractual Services	550	550	0	550
Total City Council	<u>43,350</u>	<u>43,350</u>	<u>42,600</u>	<u>750</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, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Law Director:				
Personal Services	66,799	66,799	66,425	374
Contractual Services	98,086	98,086	94,925	3,161
Total Law Director	<u>164,885</u>	<u>164,885</u>	<u>161,350</u>	<u>3,535</u>
Clerk of Council:				
Personal Services	47,251	47,251	46,647	604
Materials and Supplies	300	300	300	0
Total Clerk of Council	<u>47,551</u>	<u>47,551</u>	<u>46,947</u>	<u>604</u>
Auditor:				
Personal Services	67,890	81,030	67,890	13,140
Materials and Supplies	1,100	1,100	114	986
Contractual Services	1,195	1,195	0	1,195
Total Auditor	<u>70,185</u>	<u>83,325</u>	<u>68,004</u>	<u>15,321</u>
General Administrative:				
Personal Services	313,395	357,690	345,808	11,882
Materials and Supplies	7,170	7,170	6,391	779
Contractual Services	145,136	145,136	130,117	15,019
Other Expenditures	4,056	4,056	2,556	1,500
Total General Administrative	<u>469,757</u>	<u>514,052</u>	<u>484,872</u>	<u>29,180</u>
Court Fees:				
Contractual Services	500	500	113	387
Total Court Fees	<u>500</u>	<u>500</u>	<u>113</u>	<u>387</u>
Civil Service:				
Materials and Supplies	176	176	100	76
Contractual Services	12,000	12,000	9,353	2,647
Total Civil Service	<u>12,176</u>	<u>12,176</u>	<u>9,453</u>	<u>2,723</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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Safety/Service:				
Personal Services	36,946	39,301	37,138	2,163
Materials and Supplies	10,496	10,496	6,512	3,984
Contractual Services	83,862	83,862	69,209	14,653
Capital Outlay	11,861	11,861	11,861	0
Total Safety/Service	<u>143,165</u>	<u>145,520</u>	<u>124,720</u>	<u>20,800</u>
Income Tax:				
Personal Services	280,625	291,465	284,570	6,895
Materials and Supplies	4,311	4,311	2,370	1,941
Contractual Services	40,570	40,570	30,327	10,243
Capital Outlay	8,000	8,000	2,472	5,528
Total Income Tax	<u>333,506</u>	<u>344,346</u>	<u>319,739</u>	<u>24,607</u>
Total General Government	<u>1,408,924</u>	<u>1,480,304</u>	<u>1,377,439</u>	<u>102,865</u>
Total Expenditures	<u>6,751,752</u>	<u>7,114,458</u>	<u>6,541,448</u>	<u>573,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(313,401)	(676,107)	1,261,294	1,937,401
Other Financing Sources (Uses):				
Transfers Out	(647,973)	(791,368)	(791,368)	0
Total Other Financing Sources (Uses)	<u>(647,973)</u>	<u>(791,368)</u>	<u>(791,368)</u>	<u>0</u>
Net Change in Fund Balance	(961,374)	(1,467,475)	469,926	1,937,401
Fund Balance at Beginning of Year	2,562,078	2,562,078	2,562,078	0
Prior Year Encumbrances	61,070	61,070	61,070	0
Fund Balance at End of Year	<u>\$ 1,661,774</u>	<u>\$ 1,155,673</u>	<u>\$ 3,093,074</u>	<u>\$ 1,937,401</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 741,808	\$ 741,808	\$ 743,837	\$ 2,029
Intergovernmental Revenues	73,883	73,883	55,209	(18,674)
Investment Earnings	0	0	1,388	1,388
All Other Revenues	0	0	46	46
Total Revenues	<u>815,691</u>	<u>815,691</u>	<u>800,480</u>	<u>(15,211)</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	427,553	427,553	418,251	9,302
Materials and Supplies	2,000	2,000	2,000	0
Contractual Services	24,050	26,350	9,118	17,232
Capital Outlay	297,128	337,269	203,180	134,089
Total Security of Persons and Property	<u>750,731</u>	<u>793,172</u>	<u>632,549</u>	<u>160,623</u>
Debt Service:				
Principal Retirement	81,800	81,800	81,800	0
Interest and Fiscal Charges	13,731	13,731	13,731	0
Total Expenditures	<u>846,262</u>	<u>888,703</u>	<u>728,080</u>	<u>160,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(30,571)	(73,012)	72,400	145,412
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	13,740	13,740
Loan Initiated	0	693,780	440,000	(253,780)
Transfers In	0	0	1,513	1,513
Total Other Financing Sources (Uses)	<u>0</u>	<u>693,780</u>	<u>455,253</u>	<u>(238,527)</u>
Net Change in Fund Balance	(30,571)	620,768	527,653	(93,115)
Fund Balance at Beginning of Year	266,861	266,861	266,861	0
Prior Year Encumbrances	45,256	45,256	45,256	0
Fund Balance at End of Year	<u>\$ 281,546</u>	<u>\$ 932,885</u>	<u>\$ 839,770</u>	<u>\$ (93,115)</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund – Capital Improvement Fund
For the Year Ended December 31, 2016***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 0	\$ 216,800	\$ 216,800
All Other Revenues	0	4,992	4,992
Total Revenues	<u>0</u>	<u>221,792</u>	<u>221,792</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	50,000	49,995	5
Total Security of Persons and Property	<u>50,000</u>	<u>49,995</u>	<u>5</u>
Leisure Time Activities:			
Parks:			
Capital Outlay	10,793	10,793	0
Total Parks	<u>10,793</u>	<u>10,793</u>	<u>0</u>
Swimming Pool:			
Contractual Services	21,528	21,528	0
Capital Outlay	25,822	25,822	0
Total Swimming Pool	<u>47,350</u>	<u>47,350</u>	<u>0</u>
Total Leisure Time Activities	<u>58,143</u>	<u>58,143</u>	<u>0</u>
Community Environment:			
Planning and Zoning:			
Contractual Services	73,000	73,000	0
Total Community Environment	<u>73,000</u>	<u>73,000</u>	<u>0</u>
Transportation:			
Streets Department:			
Capital Outlay	331,752	331,752	0
Total Transportation	<u>331,752</u>	<u>331,752</u>	<u>0</u>
General Government:			
General Administrative:			
Capital Outlay	45,296	45,296	0
Total General Administrative	<u>45,296</u>	<u>45,296</u>	<u>0</u>

CITY OF HEATH, OHIO

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Safety/Service:			
Capital Outlay	48,524	48,524	0
Total Safety/Service	<u>48,524</u>	<u>48,524</u>	<u>0</u>
Total General Government	<u>93,820</u>	<u>93,820</u>	<u>0</u>
Total Expenditures	<u>606,715</u>	<u>606,710</u>	<u>5</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(606,715)	(384,918)	221,797
Fund Balance at Beginning of Year	1,734,155	1,734,155	0
Prior Year Encumbrances	<u>66,824</u>	<u>66,824</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,194,264</u>	<u>\$ 1,416,061</u>	<u>\$ 221,797</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, 2016***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 408,000	\$ 445,117	\$ 37,117
All Other Revenues	0	4,293	4,293
Total Revenues	<u>408,000</u>	<u>449,410</u>	<u>41,410</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	472,364	448,457	23,907
Materials and Supplies	212,919	133,066	79,853
Contractual Services	220,730	129,002	91,728
Capital Outlay	72,000	26,373	45,627
Total Expenditures	<u>978,013</u>	<u>736,898</u>	<u>241,115</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(570,013)	(287,488)	282,525
Other Financing Sources (Uses):			
Transfers In	411,000	406,479	(4,521)
Total Other Financing Sources (Uses)	<u>411,000</u>	<u>406,479</u>	<u>(4,521)</u>
Net Change in Fund Balance	(159,013)	118,991	278,004
Fund Balance at Beginning of Year	231,229	231,229	0
Prior Year Encumbrances	11,946	11,946	0
Fund Balance at End of Year	<u>\$ 84,162</u>	<u>\$ 362,166</u>	<u>\$ 278,004</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, 2016**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 33,600	\$ 36,091	\$ 2,491
Investment Earnings	175	242	67
Total Revenues	<u>33,775</u>	<u>36,333</u>	<u>2,558</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	41,500	0	41,500
Contractual Services	<u>14,500</u>	<u>12,146</u>	<u>2,354</u>
Total Expenditures	<u>56,000</u>	<u>12,146</u>	<u>43,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,225)	24,187	46,412
Fund Balance at Beginning of Year	<u>191,640</u>	<u>191,640</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 169,415</u>	<u>\$ 215,827</u>	<u>\$ 46,412</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, 2016**

SWIMMING POOL FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 580,063	\$ 493,318	\$ (86,745)
All Other Revenues	8,100	5,711	(2,389)
Total Revenues	<u>588,163</u>	<u>499,029</u>	<u>(89,134)</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	289,894	289,894	0
Materials and Supplies	73,839	63,453	10,386
Contractual Services	90,464	90,464	0
Total Leisure Time Activities	<u>454,197</u>	<u>443,811</u>	<u>10,386</u>
Debt Service:			
Principal Retirement	115,000	115,000	0
Interest and Fiscal Charges	27,381	27,381	0
Total Expenditures	<u>596,578</u>	<u>586,192</u>	<u>10,386</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,415)	(87,163)	(78,748)
Other Financing Sources (Uses):			
Transfers In	0	88,300	88,300
Total Other Financing Sources (Uses)	<u>0</u>	<u>88,300</u>	<u>88,300</u>
Net Change in Fund Balance	(8,415)	1,137	9,552
Fund Balance at Beginning of Year	1,114	1,114	0
Fund Balance at End of Year	<u>\$ (7,301)</u>	<u>\$ 2,251</u>	<u>\$ 9,552</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, 2016***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 0	\$ 155,022	\$ 155,022
Total Revenues	<u>0</u>	<u>155,022</u>	<u>155,022</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	155,022	155,022
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>\$ 155,022</u>	<u>\$ 155,022</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, 2016**

	FIRE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 73,905	\$ 73,788	\$ (117)
Intergovernmental Revenues	7,200	7,035	(165)
Total Revenues	<u>81,105</u>	<u>80,823</u>	<u>(282)</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	241,802	230,410	11,392
Contractual Services	2,050	705	1,345
Total Expenditures	<u>243,852</u>	<u>231,115</u>	<u>12,737</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(162,747)	(150,292)	12,455
Other Financing Sources (Uses):			
Transfers In	141,652	137,962	(3,690)
Total Other Financing Sources (Uses)	<u>141,652</u>	<u>137,962</u>	<u>(3,690)</u>
Net Change in Fund Balance	(21,095)	(12,330)	8,765
Fund Balance at Beginning of Year	19,360	19,360	0
Fund Balance at End of Year	<u>\$ (1,735)</u>	<u>\$ 7,030</u>	<u>\$ 8,765</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, 2016***

	POLICE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	(Negative)
Revenues:			
Taxes	\$ 73,905	\$ 73,788	\$ (117)
Intergovernmental Revenues	7,200	7,035	(165)
Total Revenues	<u>81,105</u>	<u>80,823</u>	<u>(282)</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	265,188	260,067	5,121
Contractual Services	2,050	705	1,345
Total Expenditures	<u>267,238</u>	<u>260,772</u>	<u>6,466</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(186,133)	(179,949)	6,184
Other Financing Sources (Uses):			
Transfers In	157,872	157,114	(758)
Total Other Financing Sources (Uses)	<u>157,872</u>	<u>157,114</u>	<u>(758)</u>
Net Change in Fund Balance	(28,261)	(22,835)	5,426
Fund Balance at Beginning of Year	26,169	26,169	0
Fund Balance at End of Year	<u>\$ (2,092)</u>	<u>\$ 3,334</u>	<u>\$ 5,426</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, 2016***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 9,000	\$ 15,928	\$ 6,928
Fines and Forfeitures	61,622	50,214	(11,408)
All Other Revenues	8,000	15,487	7,487
Total Revenues	<u>78,622</u>	<u>81,629</u>	<u>3,007</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	5,000	5,000	0
Contractual Services	56,300	38,998	17,302
Other Expenditures	171	171	0
Capital Outlay	9,818	9,672	146
Total Expenditures	<u>71,289</u>	<u>53,841</u>	<u>17,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,333	27,788	20,455
Fund Balance at Beginning of Year	59,214	59,214	0
Prior Year Encumbrances	5,000	5,000	0
Fund Balance at End of Year	<u>\$ 71,547</u>	<u>\$ 92,002</u>	<u>\$ 20,455</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, 2016***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 0	\$ 1,760	\$ 1,760
Total Revenues	<u>0</u>	<u>1,760</u>	<u>1,760</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	1,760	1,760
Fund Balance at Beginning of Year	601	601	0
Fund Balance at End of Year	<u>\$ 601</u>	<u>\$ 2,361</u>	<u>\$ 1,760</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, 2016***

ENFORCEMENT AND EDUCATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	<u>\$ 900</u>	<u>\$ 1,157</u>	<u>\$ 257</u>
Total Revenues	<u>900</u>	<u>1,157</u>	<u>257</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	900	1,157	257
Fund Balance at Beginning of Year	<u>9,516</u>	<u>9,516</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 10,416</u>	<u>\$ 10,673</u>	<u>\$ 257</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, 2016***

	D.A.R.E. FUND		
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	365	365	0
Fund Balance at End of Year	<u>\$ 365</u>	<u>\$ 365</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, 2016***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 2,400	\$ 2,780	\$ 380
Investment Earnings	320	1,688	1,368
Total Revenues	<u>2,720</u>	<u>4,468</u>	<u>1,748</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,720	4,468	1,748
Fund Balance at Beginning of Year	91,698	91,698	0
Fund Balance at End of Year	<u>\$ 94,418</u>	<u>\$ 96,166</u>	<u>\$ 1,748</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, 2016**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 309,750	\$ 348,328	\$ 38,578
Total Revenues	<u>309,750</u>	<u>348,328</u>	<u>38,578</u>
Expenditures:			
Debt Service:			
Principal Retirement	275,000	275,000	0
Interest and Fiscal Charges	<u>38,750</u>	<u>38,750</u>	<u>0</u>
Total Expenditures	<u>313,750</u>	<u>313,750</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,000)	34,578	38,578
Fund Balance at Beginning of Year	<u>94,048</u>	<u>94,048</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 90,048</u>	<u>\$ 128,626</u>	<u>\$ 38,578</u>



STATISTICAL SECTION



STATISTICAL TABLES

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

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue source, the income tax.	
Debt Capacity	S 18 – S 25
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 30 – S 37
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources Note:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Heath

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities:				*
Net Investment in Capital Assets	\$23,589,938	\$22,695,332	\$24,757,330	\$26,920,239
Restricted	3,693,753	4,153,096	4,440,662	4,052,345
Unrestricted (Deficit)	3,427,382	2,601,396	3,344,138	2,584,668
Total Governmental Activities Net Position	<u>\$30,711,073</u>	<u>\$29,449,824</u>	<u>\$32,542,130</u>	<u>\$33,557,252</u>
Business-type Activities:		*		
Net Investment in Capital Assets	\$11,369,769	\$11,437,704	\$11,511,143	\$11,458,893
Unrestricted	3,585,259	3,966,942	3,955,176	5,016,822
Total Business-type Activities Net Position	<u>\$14,955,028</u>	<u>\$15,404,646</u>	<u>\$15,466,319</u>	<u>\$16,475,715</u>
Primary Government:				
Net Investment in Capital Assets	\$34,959,707	\$34,133,036	\$36,268,473	\$38,379,132
Restricted	3,693,753	4,153,096	4,440,662	4,052,345
Unrestricted (Deficit)	7,012,641	6,568,338	7,299,314	7,601,490
Total Primary Government Net Position	<u>\$45,666,101</u>	<u>\$44,854,470</u>	<u>\$48,008,449</u>	<u>\$50,032,967</u>

Source: City Auditor's Office

* 2008, 2014 Business-type Activities were restated

* 2010, 2014 Governmental Activities were restated

City of Heath

2011	2012	2013	2014	2015	2016
			*		
\$29,909,342	\$31,800,652	\$32,791,239	\$32,879,970	\$32,583,035	\$32,767,862
3,049,296	3,354,720	3,130,915	3,667,955	3,096,603	3,397,635
3,096,541	2,886,273	3,258,587	(4,790,644)	(4,539,258)	(4,690,517)
<u>\$36,055,179</u>	<u>\$38,041,645</u>	<u>\$39,180,741</u>	<u>\$31,757,281</u>	<u>\$31,140,380</u>	<u>\$31,474,980</u>
			*		
\$12,254,042	\$13,030,295	\$13,374,041	\$14,265,581	\$14,247,988	\$14,895,733
4,716,959	5,429,089	5,326,656	4,028,883	4,802,704	4,628,954
<u>\$16,971,001</u>	<u>\$18,459,384</u>	<u>\$18,700,697</u>	<u>\$18,294,464</u>	<u>\$19,050,692</u>	<u>\$19,524,687</u>
\$42,163,384	\$44,830,947	\$46,165,280	\$47,145,551	\$46,831,023	\$47,663,595
3,049,296	3,354,720	3,130,915	3,667,955	3,096,603	3,397,635
7,813,500	8,315,362	8,585,243	(761,761)	263,446	(61,563)
<u>\$53,026,180</u>	<u>\$56,501,029</u>	<u>\$57,881,438</u>	<u>\$50,051,745</u>	<u>\$50,191,072</u>	<u>\$50,999,667</u>

City of Heath

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

	2007	2008	2009	2010
Expenses				
Governmental Activities:				
Security of Persons and Property	\$4,412,475	\$5,033,962	\$4,799,533	\$4,950,795
Public Health and Welfare Services	55,000	55,500	55,500	55,500
Leisure Time Activities	1,165,587	1,553,376	1,389,421	1,324,421
Community Environment	116,430	248,044	296,573	249,028
Basic Utility Services	48,759	12,585	0	399,949
Transportation	1,611,106	1,716,140	1,698,702	1,692,428
General Government	1,480,358	1,862,217	1,863,206	1,482,172
Interest and Fiscal Charges	211,364	201,466	213,056	158,538
<i>Total Governmental Activities Expenses</i>	9,101,079	10,683,290	10,315,991	10,312,831
Business-type Activities:				
Water	1,572,649	1,499,924	1,535,122	1,541,351
Sewer	1,994,356	1,992,845	2,145,932	1,928,841
<i>Total Business-type Activities Expenses</i>	3,567,005	3,492,769	3,681,054	3,470,192
<i>Total Primary Government Expenses</i>	\$12,668,084	\$14,176,059	\$13,997,045	\$13,783,023
Program Revenues				
Governmental Activities:				
Charges for Services and Sales				
Security of Persons and Property	\$414,707	\$427,535	\$2,017,435	\$471,415
Leisure Time Activities	681,222	637,733	527,712	558,966
Community Environment	52,913	22,902	24,464	35,658
Basic Utility Services	4,592	107	0	5,256
Transportation	18,538	6,377	80,750	4,383
General Government	2,119	8,950	12,075	15,220
Operating Grants and Contributions	641,109	593,995	677,664	641,344
Capital Grants and Contributions	5,408,548	24,050	2,825,769	1,596,123
<i>Total Governmental Activities Program Revenues</i>	7,223,748	1,721,649	6,165,869	3,328,365

City of Heath

2011	2012	2013	2014	2015	2016
\$4,910,998	\$5,152,842	\$5,038,710	\$5,361,303	\$5,380,059	\$6,172,133
56,000	56,500	55,970	55,970	55,970	57,369
1,458,652	1,345,282	1,311,818	1,387,265	1,220,510	1,308,192
326,445	279,054	100,943	270,574	257,150	309,048
252,530	0	0	0	0	0
1,387,741	2,359,144	1,709,162	1,267,738	1,863,500	995,838
1,423,316	1,345,507	1,397,774	1,453,988	1,385,688	1,324,285
238,230	86,813	189,630	84,363	81,723	81,127
<u>10,053,912</u>	<u>10,625,142</u>	<u>9,804,007</u>	<u>9,881,201</u>	<u>10,244,600</u>	<u>10,247,992</u>
1,588,324	1,653,612	1,757,595	1,867,677	1,878,912	1,986,115
2,094,078	1,910,598	2,401,452	2,038,089	2,060,955	1,991,200
<u>3,682,402</u>	<u>3,564,210</u>	<u>4,159,047</u>	<u>3,905,766</u>	<u>3,939,867</u>	<u>3,977,315</u>
<u>\$13,736,314</u>	<u>\$14,189,352</u>	<u>\$13,963,054</u>	<u>\$13,786,967</u>	<u>\$14,184,467</u>	<u>\$14,225,307</u>
\$431,382	\$496,150	\$476,054	\$487,374	\$493,602	\$526,680
520,995	511,839	464,282	425,487	452,803	524,963
20,355	34,921	15,265	18,085	28,809	66,265
5,136	0	0	0	0	0
8,981	17,804	131,883	9,929	23,254	9,285
11,890	12,422	11,400	11,800	21,269	12,988
667,962	618,558	661,798	661,083	695,090	686,525
3,306,967	3,563,796	1,263,959	400,859	8,992	235,239
<u>4,973,668</u>	<u>5,255,490</u>	<u>3,024,641</u>	<u>2,014,617</u>	<u>1,723,819</u>	<u>2,061,945</u>

(continued)

City of Heath

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

	2007	2008	2009	2010
Business-type Activities:				
Charges for Services and Sales				
Water	1,409,782	1,505,580	1,495,259	1,619,913
Sewer	2,340,830	2,319,071	2,212,708	2,281,012
Capital Grants and Contributions	74,101	124,099	0	563,705
<i>Total Business-type Activities Program Revenues</i>	<u>3,824,713</u>	<u>3,948,750</u>	<u>3,707,967</u>	<u>4,464,630</u>
<i>Total Primary Government Program Revenues</i>	<u>11,048,461</u>	<u>5,670,399</u>	<u>9,873,836</u>	<u>7,792,995</u>
Net (Expense)/Revenue				
Governmental Activities	(1,877,331)	(8,961,641)	(4,150,122)	(6,984,466)
Business-type Activities	257,708	455,981	26,913	994,438
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$1,619,623)</u>	<u>(\$8,505,660)</u>	<u>(\$4,123,209)</u>	<u>(\$5,990,028)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes	\$1,328,913	\$1,201,564	\$1,187,092	\$1,183,579
Municipal Income Taxes	5,117,840	5,144,879	4,970,988	4,888,977
Other Local Taxes	12,834	12,203	10,671	10,098
Intergovernmental Revenue, Unrestricted	845,213	945,401	835,972	947,666
Investment Earnings	545,309	339,715	173,836	160,386
Miscellaneous	41,546	57,959	87,516	73,618
Transfers	215,450	(1,329)	(23,647)	0
<i>Total Governmental Activities</i>	<u>8,107,105</u>	<u>7,700,392</u>	<u>7,242,428</u>	<u>7,264,324</u>
Business-type Activities:				
Investment Earnings	42,997	94,826	11,113	14,958
Transfers	(215,450)	1,329	23,647	0
<i>Total Business-type Activities</i>	<u>(172,453)</u>	<u>96,155</u>	<u>34,760</u>	<u>14,958</u>
<i>Total Primary Government</i>	<u>\$7,934,652</u>	<u>\$7,796,547</u>	<u>\$7,277,188</u>	<u>\$7,279,282</u>
Change in Net Position				
Governmental Activities	\$6,229,774	(\$1,261,249)	\$3,092,306	\$279,858
Business-type Activities	85,255	552,136	61,673	1,009,396
<i>Total Primary Government Change in Net Position</i>	<u>\$6,315,029</u>	<u>(\$709,113)</u>	<u>\$3,153,979</u>	<u>\$1,289,254</u>

Source: City Auditor's Office

City of Heath

2011	2012	2013	2014	2015	2016
1,794,547	1,989,091	1,999,935	2,245,921	2,488,561	2,292,134
2,111,192	2,022,158	1,959,494	1,947,153	2,193,124	2,148,903
252,530	1,018,846	439,066	8,962	0	0
<u>4,158,269</u>	<u>5,030,095</u>	<u>4,398,495</u>	<u>4,202,036</u>	<u>4,681,685</u>	<u>4,441,037</u>
<u>9,131,937</u>	<u>10,285,585</u>	<u>7,423,136</u>	<u>6,216,653</u>	<u>6,405,504</u>	<u>6,502,982</u>
(5,080,244)	(5,369,652)	(6,779,366)	(7,866,584)	(8,520,781)	(8,186,047)
475,867	1,465,885	239,448	296,270	741,818	463,722
<u>(\$4,604,377)</u>	<u>(\$3,903,767)</u>	<u>(\$6,539,918)</u>	<u>(\$7,570,314)</u>	<u>(\$7,778,963)</u>	<u>(\$7,722,325)</u>
\$1,174,167	\$1,160,354	\$1,122,287	\$1,183,320	\$1,173,389	\$1,429,374
5,278,585	5,411,079	5,952,155	5,716,808	6,023,648	6,438,248
10,388	9,793	8,823	5,647	1,684	22,162
814,944	566,595	680,850	595,813	447,701	410,657
82,186	126,018	16,848	65,477	137,416	140,161
217,901	82,279	137,499	106,763	120,042	80,045
0	0	0	0	0	0
<u>7,578,171</u>	<u>7,356,118</u>	<u>7,918,462</u>	<u>7,673,828</u>	<u>7,903,880</u>	<u>8,520,647</u>
19,419	22,498	1,865	8,142	14,410	10,273
0	0	0	0	0	0
<u>19,419</u>	<u>22,498</u>	<u>1,865</u>	<u>8,142</u>	<u>14,410</u>	<u>10,273</u>
<u>\$7,597,590</u>	<u>\$7,378,616</u>	<u>\$7,920,327</u>	<u>\$7,681,970</u>	<u>\$7,918,290</u>	<u>\$8,530,920</u>
\$2,497,927	\$1,986,466	\$1,139,096	(\$192,756)	(\$616,901)	\$334,600
495,286	1,488,383	241,313	304,412	756,228	473,995
<u>\$2,993,213</u>	<u>\$3,474,849</u>	<u>\$1,380,409</u>	<u>\$111,656</u>	<u>\$139,327</u>	<u>\$808,595</u>

City of Heath

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

	2007	2008	2009	2010
General Fund				
Nonspendable	\$0	\$0	\$0	\$0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Reserved	304,325	229,436	1,366,672	1,223,828
Unreserved	3,405,304	2,701,779	2,408,783	2,533,280
Total General Fund	<u>3,709,629</u>	<u>2,931,215</u>	<u>3,775,455</u>	<u>3,757,108</u>
All Other Governmental Funds				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Committed	0	0	0	0
Unassigned	0	0	0	0
Reserved	884,924	519,403	412,014	323,587
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	644,659	829,632	807,272	826,636
Capital Projects Funds	1,931,812	2,652,964	3,070,331	2,123,013
Permanent Fund	86,791	91,485	83,268 *	0
Total All Other Governmental Funds	<u>3,548,186</u>	<u>4,093,484</u>	<u>4,372,885</u>	<u>3,273,236</u>
Total Governmental Funds	<u><u>\$7,257,815</u></u>	<u><u>\$7,024,699</u></u>	<u><u>\$8,148,340</u></u>	<u><u>\$7,030,344</u></u>

Source: City Auditor's Office

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

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

City of Heath

2011	2012	2013	2014	2015	2016
\$108,830	\$79,556	\$109,310	\$111,399	\$92,140	\$149,022
42,354	483,099	368,215	400,358	553,846	657,639
3,363,560	2,730,440	3,187,395	2,473,305	2,521,638	2,946,820
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,514,744</u>	<u>3,293,095</u>	<u>3,664,920</u>	<u>2,985,062</u>	<u>3,167,624</u>	<u>3,753,481</u>
87,846	89,134	76,285	110,490	87,499	77,760
959,738	1,237,199	1,121,720	1,265,681	975,602	1,912,114
1,981,100	2,004,556	1,845,600	2,133,328	1,928,153	1,710,558
(129,613)	(134,960)	(13,677)	0	0	(10,230)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>2,899,071</u>	<u>3,195,929</u>	<u>3,029,928</u>	<u>3,509,499</u>	<u>2,991,254</u>	<u>3,690,202</u>
<u>\$6,413,815</u>	<u>\$6,489,024</u>	<u>\$6,694,848</u>	<u>\$6,494,561</u>	<u>\$6,158,878</u>	<u>\$7,443,683</u>

City of Heath

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

	2007	2008	2009	2010
Revenues:				
Taxes	\$6,511,364	\$6,372,485	\$6,129,963	\$6,076,179
Intergovernmental Revenues	2,019,146	1,690,485	1,836,354	1,813,302
Charges for Services	951,735	985,547	872,267	921,061
Licenses and Permits	59,600	29,849	28,382	40,464
Investment Earnings	599,005	348,790	173,836	160,386
Fines and Forfeitures	52,689	51,154	1,660,638	91,921
All Other Revenue	151,613	95,013	188,665	111,070
Total Revenue	<u>10,345,152</u>	<u>9,573,323</u>	<u>10,890,105</u>	<u>9,214,383</u>
Expenditures:				
Current:				
Security of Persons and Property	4,679,467	4,895,866	4,564,283	4,832,359
Public Health and Welfare Services	55,000	55,500	55,500	55,500
Leisure Time Activities	1,537,158	1,316,678	1,218,719	1,388,567
Community Environment	286,914	257,489	296,209	248,970
Basic Utility Services	48,759	12,585	0	399,949
Transportation	1,304,268	1,259,204	1,301,307	1,505,871
General Government	1,434,312	1,568,514	1,784,830	1,440,850
Debt Service:				
Principal Retirement	254,165	262,600	283,344	299,111
Interest and Fiscal Charges	212,555	202,775	199,411	159,796
Total Expenditures	<u>9,812,598</u>	<u>9,831,211</u>	<u>9,703,603</u>	<u>10,330,973</u>
Excess (Deficiency) of Revenues Over Expenditures	532,554	(257,888)	1,186,502	(1,116,590)

City of Heath

2011	2012	2013	2014	2015	2016
\$6,484,185	\$6,577,781	\$7,108,267	\$6,903,383	\$7,202,848	\$7,888,491
1,564,668	4,810,389	2,635,926	1,617,442	1,201,765	1,265,540
896,001	951,566	837,316	853,057	861,981	964,331
24,697	40,331	15,867	17,872	28,924	66,272
82,186	126,018	16,848	65,477	137,416	140,161
39,504	43,048	47,797	42,425	68,319	63,549
256,438	120,470	335,403	146,084	180,555	126,074
<u>9,347,679</u>	<u>12,669,603</u>	<u>10,997,424</u>	<u>9,645,740</u>	<u>9,681,808</u>	<u>10,514,418</u>
4,949,955	5,006,695	4,984,224	5,232,686	5,792,998	5,334,164
56,000	56,500	55,970	55,970	55,970	57,369
1,291,498	1,158,961	1,080,375	1,111,702	1,001,695	1,025,447
322,269	274,696	272,127	249,678	292,709	282,702
252,530	0	0	0	0	0
1,382,405	4,341,346	2,632,997	1,376,248	1,440,761	1,439,671
1,360,970	1,334,738	1,307,183	1,400,963	1,381,407	1,368,483
322,047	344,037	265,049	371,439	382,906	482,667
164,084	123,368	190,548	85,509	76,542	80,671
<u>10,101,758</u>	<u>12,640,341</u>	<u>10,788,473</u>	<u>9,884,195</u>	<u>10,424,988</u>	<u>10,071,174</u>
(754,079)	29,262	208,951	(238,455)	(743,180)	443,244

(Continued)

City of Heath

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Other Financing Sources (Uses):				
Capital Leases Issued	0	0	0	0
Installment Loan Issued	0	0	0	0
Refunding Bonds Issued	0	0	1,195,000	0
Premium on Refunding Bonds Issued	0	0	11,337	0
Payment to Refunded Bond Escrow Agent	0	0	(1,178,173)	0
Transfers In	920,187	1,321,249	511,534	684,767
Transfers Out	(704,737)	(1,322,578)	(535,181)	(684,767)
Total Other Financing Sources (Uses)	<u>215,450</u>	<u>(1,329)</u>	<u>4,517</u>	<u>0</u>
Net Change in Fund Balance	<u>\$748,004</u>	<u>(\$259,217)</u>	<u>\$1,191,019</u>	<u>(\$1,116,590)</u>
 Debt Service as a Percentage of Noncapital Expenditures	 4.76%	 4.73%	 4.98%	 4.44%

Source: City Auditor's Office

City of Heath

2011	2012	2013	2014	2015	2016
61,655	49,319	0	0	435,678	117,027
0	0	0	0	0	740,000
1,325,000	1,300,000	0	0	0	0
7,861	40,480	0	0	0	0
(1,283,255)	(1,301,248)	0	0	0	0
1,223,023	788,460	784,025	1,281,395	785,000	791,368
(1,223,023)	(806,460)	(784,025)	(1,281,395)	(785,000)	(791,368)
111,261	70,551	0	0	435,678	857,027
(\$642,818)	\$99,813	\$208,951	(\$238,455)	(\$307,502)	\$1,300,271

7.86%	4.68%	5.16%	5.04%	4.76%	6.30%
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City of Heath

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Estimated Personal Income (in thousands)	\$297,115	\$303,766	\$305,863	\$357,458
Total Tax Collected	\$5,372,699	\$5,292,914	\$5,082,838	\$5,016,826
Income Tax Receipts				
Withholding	4,236,786	4,362,702	4,158,728	4,251,397
Percentage	78.86%	82.42%	81.82%	84.74%
Corporate	760,337	580,904	593,661	433,893
Percentage	14.15%	10.98%	11.68%	8.65%
Individuals	375,576	349,308	330,449	331,536
Percentage	6.99%	6.60%	6.50%	6.61%

Source: City Income Tax Department

City of Heath

2011	2012	2013	2014	2015	2016
1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$386,532	\$410,854	\$412,596	\$410,699	\$428,700	\$428,700
\$5,448,282	\$5,568,605	\$6,128,745	\$5,942,600	\$6,072,725	\$6,597,206
4,366,508	4,490,301	4,469,690	4,456,950	4,526,078	4,799,454
80.15%	80.64%	72.93%	75.00%	74.53%	72.75%
715,508	714,709	1,266,038	1,064,014	1,069,468	1,321,692
13.13%	12.83%	20.66%	17.90%	17.61%	20.03%
366,266	363,595	393,017	421,636	477,179	476,060
6.72%	6.53%	6.41%	7.10%	7.86%	7.22%



City of Heath

Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2016

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Taxable Income</u>	<u>Percent of Income</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.19%	\$162,747,733	37.00%	\$2,441,216	37.00%
All Others	5,214	99.81%	277,066,000	63.00%	4,155,990	63.00%
Total	5,224	100.00%	\$439,813,733	100.00%	\$6,597,206	100.00%

Calendar Year 2007

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

Source: City Income Tax Department

City of Heath

Ratio of Outstanding Debt By Type Last Ten Years

	2007	2008	2009	2010
Governmental Activities ⁽¹⁾				
General Obligation Bonds Payable	\$4,480,000	\$4,235,000	\$4,015,000	\$3,735,000
Installment Loan Payable	0	0	0	0
Capital Leases	60,426	42,826	24,482	5,371
Business-type Activities ⁽¹⁾				
General Obligation Bonds Payable	2,180,000	2,025,000	1,915,000	1,720,000
Ohio Water Development Authority Loans	4,794,983	4,129,717	3,432,074	4,118,537
Ohio Public Works Commission Loan	104,256	102,518	100,780	97,304
Capital Leases	0	0	0	0
Total Primary Government	<u>\$11,619,665</u>	<u>\$10,535,061</u>	<u>\$9,487,336</u>	<u>\$9,676,212</u>
Population ⁽²⁾				
City of Heath	8,527	8,527	8,527	10,310
Outstanding Debt Per Capita	\$1,363	\$1,235	\$1,113	\$939
Income ⁽³⁾				
Personal (in thousands)	297,115	303,766	305,863	357,458
Percentage of Personal Income	3.91%	3.47%	3.10%	2.71%

Sources:

(1) City Auditor's Office

(2) US Bureau of Census, Population Division

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

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

City of Heath

2011	2012	2013	2014	2015	2016
\$3,555,000	\$3,225,000	\$2,985,000	\$2,640,000	\$2,285,000	\$1,925,000
0	0	0	0	0	710,000
49,979	90,261	65,212	38,773	446,545	470,905
1,520,000	1,870,000	2,970,000	2,570,000	2,160,000	1,735,000
6,081,565	5,942,607	5,650,424	5,360,803	5,052,270	5,363,436
93,828	90,352	380,566	353,326	335,166	326,086
0	0	0	0	460,000	373,175
<u>\$11,300,372</u>	<u>\$11,218,220</u>	<u>\$12,051,202</u>	<u>\$10,962,902</u>	<u>\$10,738,981</u>	<u>\$10,903,602</u>
10,310	10,310	10,310	10,310	10,310	10,310
\$1,096	\$1,088	\$1,169	\$1,063	\$1,042	\$1,058
386,532	410,854	412,596	410,699	428,700	428,700
2.92%	2.73%	2.92%	2.67%	2.51%	2.54%

City of Heath

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	2007	2008	2009	2010
Population ⁽¹⁾	8,527	8,527	8,527	10,310
Assessed Value ⁽²⁾	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150
General Bonded Debt ⁽³⁾				
General Obligation Bonds	\$6,660,000	\$6,260,000	\$5,930,000	\$5,455,000
Resources Available to Pay Principal ⁽⁴⁾	\$207,537	\$187,176	\$165,163	\$134,952
Net General Bonded Debt	\$6,452,463	\$6,072,824	\$5,764,837	\$5,320,048
Ratio of Net Bonded Debt to Estimated Actual Value	2.34%	2.29%	2.18%	2.01%
Net Bonded Debt per Capita	\$756.71	\$712.19	\$676.07	\$516.01

Source:

(1) U.S. Bureau of Census of Population

(2) Licking County Auditor

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

(4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Heath

2011	2012	2013	2014	2015	2016
10,310	10,310	10,310	10,310	10,310	10,310
\$268,239,290	\$270,780,340	\$272,878,060	\$271,209,375	\$261,546,140	\$266,502,766
\$5,075,000	\$5,095,000	\$5,955,000	\$5,210,000	\$4,445,000	\$3,660,000
\$134,241	\$151,211	\$63,473	\$89,396	\$128,189	\$159,655
\$4,940,759	\$4,943,789	\$5,891,527	\$5,120,604	\$4,316,811	\$3,500,345
1.84%	1.83%	2.16%	1.89%	1.65%	1.31%
\$479.22	\$479.51	\$571.44	\$496.66	\$418.70	\$339.51



City of Heath

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2016*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Heath (1)</u>	<u>Amount Applicable to the City of Heath</u>
Direct:			
City of Heath	\$3,105,905	100.00%	\$3,105,905
Overlapping:			
Heath City School District	12,246,550	6.70%	820,519
Licking County	19,716,033	98.20%	<u>19,361,144</u>
		Subtotal	<u>20,181,663</u>
		Total	<u><u>\$23,287,568</u></u>

Source: Licking County

(1) Percentages determined by dividing each overlapping subdivisions' assessed valuation within the City by the subdivisions' total assessed valuation.

City of Heath

Debt Limitations Last Ten Years

Collection Year	2007	2008	2009	2010
Total Debt				
Net Assessed Valuation	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150
Legal Debt Limitation (%) ⁽¹⁾	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) ⁽¹⁾	28,937,187	27,791,687	27,732,507	27,813,991
City Debt Outstanding ⁽²⁾	4,480,000	4,235,000	4,015,000	3,735,000
Less: Applicable Debt Service Fund Amounts	<u>(207,537)</u>	<u>(187,176)</u>	<u>(165,163)</u>	<u>(134,952)</u>
Net Indebtedness Subject to Limitation	<u>4,272,463</u>	<u>4,047,824</u>	<u>3,849,837</u>	<u>3,600,048</u>
Overall Legal Debt Margin	<u>\$24,664,724</u>	<u>\$23,743,863</u>	<u>\$23,882,670</u>	<u>\$24,213,943</u>
Unvoted Debt				
Net Assessed Valuation	\$275,592,260	\$264,682,730	\$264,119,110	\$264,895,150
Legal Debt Limitation (%) ⁽¹⁾	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) ⁽¹⁾	15,157,574	14,557,550	14,526,551	14,569,233
City Debt Outstanding ⁽²⁾	4,480,000	4,235,000	4,015,000	3,735,000
Less: Applicable Debt Service Fund Amounts	<u>(207,537)</u>	<u>(187,176)</u>	<u>(165,163)</u>	<u>(134,952)</u>
Net Indebtedness Subject to Limitation	<u>4,272,463</u>	<u>4,047,824</u>	<u>3,849,837</u>	<u>3,600,048</u>
Overall Legal Debt Margin	<u>\$10,885,111</u>	<u>\$10,509,726</u>	<u>\$10,676,714</u>	<u>\$10,969,185</u>

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

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

Source: City Auditor's Office

City of Heath

2011	2012	2013	2014	2015	2016
\$268,239,290	\$270,780,340	\$272,878,060	\$271,209,375	\$261,546,140	\$266,502,766
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
28,165,125	28,431,936	28,652,196	28,476,984	27,462,345	27,982,790
3,555,000	3,225,000	2,985,000	2,640,000	2,285,000	1,925,000
(134,241)	(151,211)	(63,473)	(89,396)	(128,189)	(159,655)
<u>3,420,759</u>	<u>3,073,789</u>	<u>2,921,527</u>	<u>2,550,604</u>	<u>2,156,811</u>	<u>1,765,345</u>
<u>\$24,744,366</u>	<u>\$25,358,147</u>	<u>\$25,730,669</u>	<u>\$25,926,380</u>	<u>\$25,305,534</u>	<u>\$26,217,445</u>
\$268,239,290	\$270,780,340	\$272,878,060	\$271,209,375	\$261,546,140	\$266,502,766
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
14,753,161	14,892,919	15,008,293	14,916,516	14,385,038	14,657,652
3,555,000	3,225,000	2,985,000	2,640,000	2,285,000	1,925,000
(134,241)	(151,211)	(63,473)	(89,396)	(128,189)	(159,655)
<u>3,420,759</u>	<u>3,073,789</u>	<u>2,921,527</u>	<u>2,550,604</u>	<u>2,156,811</u>	<u>1,765,345</u>
<u>\$11,332,402</u>	<u>\$11,819,130</u>	<u>\$12,086,766</u>	<u>\$12,365,912</u>	<u>\$12,228,227</u>	<u>\$12,892,307</u>

City of Heath

Demographic and Economic Statistics Last Ten Years

Calendar Year	2007	2008	2009	2010	2011
Population ⁽¹⁾					
City of Heath	8,527	8,527	8,527	10,310	10,310
Licking County	145,491	145,491	145,491	166,492	166,492
Income ^{(2) (a)}					
Total Personal (in thousands)	297,115	303,766	305,863	357,458	386,532
Per Capita	34,844	35,624	35,870	34,671	37,491
Unemployment Rate ⁽³⁾					
Federal	4.6%	5.8%	9.3%	9.6%	8.9%
State	5.6%	6.6%	10.2%	10.1%	8.6%
Licking County	5.2%	6.1%	9.3%	9.5%	8.0%
Civilian Work Force Estimates ⁽³⁾					
State	5,976,500	5,929,800	5,900,500	5,894,000	5,806,500
Licking County	84,500	85,900	84,100	83,500	84,400

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2014 for the presentation of 2015 statistics, the City is using the latest information available.

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

(3) State Department of Labor Statistics

City of Heath

2012	2013	2014	2015	2016
10,310	10,310	10,310	10,310	10,310
166,492	166,492	166,492	166,492	166,492
410,854	412,596	410,699	428,700	428,700
39,850	40,019	39,835	41,581	41,581
8.1%	7.4%	6.2%	4.4%	4.9%
7.2%	7.4%	5.7%	4.9%	4.9%
6.5%	6.9%	5.1%	5.3%	4.3%
5,747,900	5,765,700	5,719,500	5,700,300	5,713,100
84,800	85,800	87,200	83,600	87,900



City of Heath

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2016	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	844	1
Super Wal-Mart Stores	Retail Sales	481	2
Kaiser Aluminum & Chemical Co.	Manufacturing	309	3
Heath City Schools	Education	296	4
Lowe's Home Center	Retail Sales	233	5
Heath Nursing Home	Health Care	220	6
JLH Automotive	Retail Sales	215	7
Englefield Oil	Petroleum Products	212	8
Arvin/Meritor	Manufacturing	211	9
Mathews Ford	Retail Sales	148	10
Total		3,169	

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

Sources:

City of Heath Income Tax Department

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

City of Heath

Full Time Equivalent Employees by Function Last Ten Years

	2007	2008	2009	2010	2011
Governmental Activities					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor	1.00	1.00	1.00	1.00	1.00
Council	7.00	7.00	7.00	7.00	7.00
Clerk of Council	1.00	1.00	1.00	1.00	1.00
Legal	2.00	2.00	2.00	2.00	2.00
Administration	3.50	3.50	3.25	3.25	3.25
Income Tax	4.00	4.00	4.00	4.00	4.00
Service	1.00	1.25	0.50	0.50	0.50
Security of Persons and Property					
Police	18.00	18.00	18.00	18.50	19.50
Fire	16.00	16.00	16.00	16.00	16.00
Communications	7.50	8.00	7.50	6.00	6.00
Transportation					
Street	8.50	7.50	8.50	7.50	7.50
Leisure Time Activities					
Recreation / Parks	7.75	7.50	6.25	5.25	4.75
Water Park	29.50	31.50	37.00	38.00	40.50
Community Environment					
Zoning	2.00	2.00	2.00	2.00	2.00
Business-Type Activities					
Utilities					
Water	7.50	8.00	9.50	9.50	9.00
Sewer	7.75	8.00	9.00	9.00	8.75
<i>Total Employees</i>	<u>125.00</u>	<u>127.25</u>	<u>133.50</u>	<u>131.50</u>	<u>133.75</u>

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

Source: City Auditor's Office

City of Heath

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1.00	1.00	1.00	1.00	1.00
1.00	1.50	1.50	1.50	1.00
7.00	7.00	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00
2.00	1.00	1.00	1.00	1.00
3.25	3.25	3.25	3.25	3.25
4.00	4.00	4.00	4.00	4.00
0.50	0.50	5.00	0.50	0.50
18.50	18.00	18.00	18.00	18.00
16.00	16.00	16.00	16.00	16.00
7.00	8.00	8.00	8.00	7.00
7.50	7.50	6.00	6.00	6.00
4.75	3.75	4.75	4.75	4.75
40.50	33.50	38.00	38.00	35.75
2.00	2.00	2.00	2.00	2.00
9.00	10.00	10.00	9.25	10.00
<u>7.75</u>	<u>7.75</u>	<u>8.75</u>	<u>8.25</u>	<u>8.75</u>
<u>132.75</u>	<u>125.75</u>	<u>135.25</u>	<u>129.50</u>	<u>127.00</u>

City of Heath

Operating Indicators by Function Last Ten Years

	2007	2008	2009	2010
Governmental Activities				
General Government				
Council				
Members	7	7	7	7
Number of Ordinances passed	110	99	112	81
Number of Resolutions passed	10	7	6	8
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	1,582	1,412	1,286	1,312
Number of Arrests	600	472	470	471
Fire				
Number of Calls	1,964	2,058	2,122	2,038
Number of Inspections	342	522	432	415
Transportation				
Street				
Number of Streets Resurfaced	11	8	11	7
Leisure Time Activities				
Recreation / Parks				
Number of Pool/Water Park Memberships Sold	1,142	1,072	950	930
Community Environment				
Number of Building Permits	110	82	80	74
Number of Building Inspections	87	54	66	48
Number of Board of Building and Zoning Appeal Cases	19	16	11	11
Business-Type Activities				
Water				
Number of Service Connections	3,750	3,750	3,750	4,285
Daily Average Consumption (thousands of gallons)	1,300	1,300	1,300	1,200
Maximun Daily Capacity (thousands of gallons)	4,000	4,000	4,000	4,000
Sewer				
Daily Average Sewage Treatment (thousands of gallons)	1,600	1,600	1,600	1,300

Source: City Auditor's Office

City of Heath

2011	2012	2013	2014	2015	2016
7	7	7	7	7	7
100	83	100	92	91	61
10	10	7	7	4	5
1,054	813	697	662	1,143	1,189
548	547	613	658	603	780
2,052	2,303	2,393	2,420	2,506	2,752
392	395	390	400	272	78
1	0	15	2	8	1
994	952	846	757	721	763
81	53	43	60	82	73
31	41	40	45	82	51
17	9	8	11	12	12
3,764	3,800	3,700	3,824	3,825	3,825
1,200	1,200	1,200	1,150	1,200	1,200
4,000	4,000	4,000	4,000	4,000	4,000
1,472	1,273	1,300	1,390	1,290	1,290

City of Heath

Capital Asset Statistics by Function Last Ten Years

	2007	2008	2009	2010
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	132	132	138	138
Buildings	23	23	23	23
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Vehicles	8	7	7	7
Fire				
Stations	2	2	2	2
Vehicles	10	10	12	11
Transportation				
Street				
Streets (lane miles)	90	90	91	91
Street Lights	708	708	708	709
Traffic Signals (Intersections)	18	18	18	19
Vehicles	14	14	14	14
Leisure Time Activities				
Recreation / Parks				
Land (acres)	376	376	376	376
Buildings	2	2	3	3
Parks	11	11	11	11
Playgrounds	4	4	4	4
Swimming Pools	1	1	1	1
Baseball/Softball Diamonds	7	7	8	8
Sand Volleyball Courts	2	2	2	2

City of Heath

2011	2012	2013	2014	2015	2016
138	138	140	140	140	140
23	23	23	23	23	23
1	1	1	1	1	1
7	7	8	9	9	9
2	2	2	2	2	2
9	10	10	10	10	10
91	94	94	94	95	95
709	709	709	709	709	709
19	19	19	19	19	19
14	14	14	14	14	14
376	376	376	376	376	376
3	4	4	4	4	4
11	11	11	11	11	11
4	4	4	4	4	4
1	1	1	1	1	1
8	8	8	8	8	8
2	2	2	2	2	2

(Continued)

City of Heath

Capital Asset Statistics by Function Last Ten Years

	2007	2008	2009	2010
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	81	81	81	86
Pump Stations	5	5	5	3
Number of Hydrants	766	767	767	770
Average Daily Consumption	1,300,000	1,300,000	1,300,000	1,200,000
Storage Capacity (thousands of gallons)	2,165	2,165	2,165	1,285
Sewer				
Sewerlines (Miles)	112	113	113	115
Lift Stations	18	20	20	21
Storm Drains (Miles)	60	60	60	60
Treatment Capacity (thousands of gallons)	1,750	1,750	1,750	1,750

Source: City Auditor's Office

City of Heath

2011	2012	2013	2014	2015	2016
86	86	89	89	89	90
3	4	5	5	5	5
770	770	780	780	788	793
1,200,000	1,200,000	1,200,000	1,150,000	1,200,000	1,200,000
2,380	2,383	2,383	2,383	2,383	2,600
116	116	117	117	117	118
21	21	19	19	18	18
60	60	43	43	43	49
1,750	1,750	1,750	1,750	2,240	2,777

